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# ***JPRS Report***

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## **Soviet Union**

### ***Economic Affairs***

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## FBIS 50th Anniversary Note

To Our Consumers:

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We members of the current staff of FBIS extend our thanks to consumers for their interest in FBIS products. To past staffers we extend our thanks for helping the service reach this anniversary year. At the same time, we pledge our continued commitment to providing a useful information service.



R. W. Manners  
Director  
Foreign Broadcast Information Service

# Soviet Union

## Economic Affairs

JPRS-UEA-91-009

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## ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

### Economist's Analysis, Methodology Criticized

914A0360A Novosibirsk *EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO)* in Russian No 11, 1990  
pp 104-107

[Article by A. B. Mitelman, candidate of economic sciences, Main Computer Center of the USSR State Committee for Statistics, and A. F. Samokhvalov, candidate of economic sciences, consultant at the Information Processing Center of the CPSU Central Committee, Moscow: "Is the 'Sly Figure' Really So Sly?"—response to article by G. I. Khanin: "The Crisis Is Intensifying" (*EKO*, 1. 90)]

[Text] The amount of published statistical data on the development of the national economy is growing, while a speculative approach with the predominance of a priori views selectively pressing down the factual material continues to dominate in articles claiming to generalize these data. However, whereas previously the authors' primordial aims, as a rule, were directed toward confirmation of the correctness of actions by central bodies, now many of them have an opposite direction. Such practice of "studying" the past and the present in economic life has also extended to the methodology and method of consolidated calculations.

The reflection of the economic turnover in figures in the country has a long history and belongs to the category of eternal [problems]. Of course, the present-day practice of calculations of consolidated indicators is not devoid of shortcomings and needs to be improved. However, it is hardly justified to completely dismiss the experience of statistical bodies and their proposals to improve the elaboration and presentation of economic information.

G. I. Khanin adheres to other views on this point. He asserts that the evaluations concerning the growth of the physical volume of production and distribution of material wealth, which exist in official statistics today, give a distorted and wrong idea of the real situation and should be abandoned immediately. Disengaging himself from the essence of the consolidated and analytic calculations performed for a long time and from their advantages and disadvantages, he proves his case with very impressive discrepancies in the evaluations of the growth of national income in 1929-1985 presented by the USSR State Committee for Statistics and calculated by the author. Khanin has been demonstrating this discrepancy of more than an order not just for one year. This "fact" has begun to be used actively in social and public journalism in order to confirm the low quality of official statistical data.

A careful examination of the results and methodology of Khanin's calculations does not make it possible to support his position unconditionally. He uses his own "method of alternative evaluations." In order not to

overburden the reader with the "technical" aspect of the matter, G. I. Khanin's latest publications are free of a description of the calculation methodology. However, nor do his publications from the early 1980's introduce clarity into the methodology of calculations and the content of their initial information.

Khanin's approach lies in calculating several versions concerning the evaluation of the dynamics of indirect parameters, which in some way characterize the studied indicator, and in selecting the arithmetic mean from the obtained versions.

In general, the approach, when some indicator is evaluated according to indirect parameters connected with it, is applied quite extensively in natural sciences and econometrics. However, the main burden in such research is traditionally placed on the theoretical and methodological substantiation of the genesis of cause-and-effect relations, proof of the legitimacy and validity of the proposed set of analyzed parameters, and establishment of quantitative regularities of their joint movement. Unfortunately, this aspect is absent in the publications to which Khanin refers all those wishing to be convinced of the soundness and "scientific nature" of his results. The establishment of close results of calculations of alternative evaluations according to different interrelations, which, in our opinion, are not substantiated by the author, is the main criterion of the validity and reliability of the method proposed in them.

As a result, the details of calculations presented by him often evoke bewilderment. In fact, what does the ratio between the changes in electric consumption per worker and the level of labor productivity in U.S. industry, or the change in the ratio between production costs of exported products and export earnings for them, has to do with the index of growth of the volume of USSR industrial output? Perhaps data on France or Guinea-Bissau, not on the United States, should be taken, or better yet a comparison should be made with Bulgaria? One can think up many similar questions, as well as versions of alternative evaluations, lending them the semblance of a serious scientific validity with one or two general phrases.

It is not clear why the author chose as a resultant the arithmetic mean of alternative evaluations, not the geometric or harmonic mean. Perhaps a special function defining the total index according to the initial one should be constructed? Here, in our opinion, not everything is so unambiguous and there is a wide field for research activity. However, the author did not consider it necessary to dwell on these aspects.

There are also many questions concerning the final results of Khanin's calculations. For example, from the table: "Ratio of Growth of National Income According to Individual Alternative Evaluations" (*IZVESTIYA AN SSSR. SERIYA EKONOMICHESKAYA*, No 3, 1984) it is evident that the methods proposed by him give a relative spread of the sought indicator from 0.75

to 1.2. At the same time, during corresponding periods (1961-1965, 1966-1970, and 1971-1975) the ratio of the index of national income calculated by him to the data of the State Committee for Statistics makes up from 0.84 to 0.9. In other words, calculations according to G. I. Khanin's individual alternative evaluations during the noted periods could give even bigger values of the sought indicator than the official "overestimated" data, which he criticizes. At the same time, there is reason to believe that during some periods discrepancies concerning individual alternative evaluations are even more significant.

From the summary table presented by the author in the journal *KOMMUNIST* (No 17, 1988) it is evident that the biggest discrepancy between "traditional" evaluations of economic growth and those obtained by him occurred in 1929-1960. However, if the indicated period and 1986-1987 calculations, which Khanin considers preliminary, are excluded from the examination, the index of national income, according to the author's calculations, is 3.78 and the "traditionally" calculated one, 10.07. Consequently, their ratio is 2.7, that is, 4.8-fold lower than Khanin declared. The figure is quite large, but hardly so sensational as to present it in a nonspecialized journal.

As another illustration of a more than free handling of statistical materials we will cite the mention of "alternative evaluations" in V. Selyunin's article in *NOVYY MIR* (No 10, 1989): "Not so long ago we, with economist G. Khanin, have recalculated the rates of economic development over a long period. It turned out that from 1928 to 1985 national income increased approximately 7-fold, not 86-fold, as official statistics asserts." That is, the ratio of the "true" (according to Khanin) and official figure rose to 12.3-fold!

G. I. Khanin also insists on his own interpretation of national economic development during individual five-year plans. For example, according to the data of the State Committee for Statistics and evaluations by most economists, 1966-1970 was the most effective (beginning in the 1950's) from the standpoint of the balance of the adopted and realized decisions and rise in workers' standard of living. In statistical yearbooks average annual rates of growth of national income in 1966-1970 are 1.2-fold higher than during the preceding five-year period, but according to Khanin's calculations, 1.07-fold lower!

We are not in a position to refute Khanin's results on this point, owing to the shortage of pertinent information in his publications. It can only be assumed that his evaluations based on a "physical-material measurement" did not take into account the obvious possibility of growth of national income with a simultaneous reduction in the physical volume of production through the redistribution of material resources from production consumption into the nonproductive sphere. Statistical data in physical terms and, moreover, our wordly memory attest to this.

In our opinion, G. I. Khanin's works cannot be used to improve the methodology and method of consolidated calculations owing to many important problems, which are not only not solved, but also not examined by him. The results obtained and propagandized by the author cannot become the basis for corrections of evaluations concerning the results of development of public production (in any case in the last 30 years).

Khanin's publications from the standpoint of their quality are an exception in the flow of consolidated economic calculations. Until recently they have been written under the conditions of scarcity of both statistical data and information on the methodology and method existing in statistical practice, without which the interpretation of factual data is very arbitrary. Therefore, the task of clearly delimiting the development of numerical methods of economic information processing and the quality of this information as such can be set for economic science only today. Following such a delimitation, Khanin could show the characteristic of the method of "alternative evaluations" among other numerical methods and its additional possibilities and effectiveness for the processing of consolidated information. Otherwise, sooner or later, when the "slyness" of figures is lost to readers, they will again be indifferent to his publications. After all, the impossibility of becoming familiar with the initial premises of calculations, of becoming convinced of their validity, or at least of repeating the obtained results will hardly strengthen the author's scientific authority and increase the number of advocates of his method.

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### German Economists Recommend Regional Level Reforms

914A0283A Moscow *IZVESTIYA* in Russian 5 Jan 91  
Union Edition p 5

[Article by A. Balandin and S. Guk, *IZVESTIYA* special correspondents, Bonn, Cologne, and, Dusseldorf: "Are We Stuffing the Paste Back Into the Tube?"—end; for beginning see *IZVESTIYA*, No 3]

[Text] The Federal Institute for the Study of Eastern and International Relations in Cologne is preparing analytic materials and recommendations for the FRG Government. It also has a department studying the USSR—a watchful eye, closely (especially now) registering the fluctuations and changes in the Soviet political and economic course.

## II.

Dr. Heinrich Fogel, director of the institute, and his team consider our internal situation, although not hopeless, more than critical ("a growing sense of despair with respect to the USSR and a feeling of impending disaster").

Many other FRG experts are also disposed toward such an "alarming wave." For example, bankers studying the Soviet market (their evaluations: "economic and political vacuum, chaos, central power mechanisms do not work, and decisions are not fulfilled").

Or Wolf von Amerongen, one of the patriarchs of West German entrepreneurs, who has dealt with our economy for more than one decade and who has studied it thoroughly (today he is the honorary chairman of the Federal Association of Chambers of Commerce and Industry of the FRG). "Your ministers continue to come to us and sit on mixed commissions," he says. "But the problems that they raise are the same as those during Brezhnev's times: how to modernize light and food industry and agriculture? There is the feeling that these people, who are much over 50, do not want to change anything."

We, however, have our own impression: the Germans are sick and tired of the endless talks and are beginning to lose patience. Soviet financiers, ministry officials, enterprise directors, specialists, scientists, and planners are flocking to the FRG. Everyone longs to obtain a universal formula: How to adjust and put into operation the decrepit mechanisms of the domestic economy as quickly as possible? They thank them for the lesson and return home, but nothing changes here. That is why the answers of the people we talked to sometimes resembled a lesson taught by rote, but the glances that in the course of the talk they furtively cast at their watches said more eloquently than any words that they did not expect any special benefit from the economic "campaign against illiteracy" at hand. However, these business people are well-mannered and, therefore, tried to satisfy our curiosity as much as possible.

Dr. H. Fogel believes that we are making a mistake in trying to cure the entire economic organism at once, instead of uncovering the most vulnerable spots and setting about to make them healthy. Wolf von Amerongen believes that problems should be solved on a regional scale, at the level of republics, not on a Union scale. The bankers also agree with him, but with one reservation: Republics, they say, should conduct themselves sensibly—they should build a common house and not try to grab more benefits from the Union "pie" for themselves. Nor should they build a house where someone, who settles upstairs, urges on the rest. Everything should be written down clearly: a common goal, a common strategy of actions, and certain coordinating authority and power delegated to the center.

In recent years Moscow has tried to conduct isolated reforms—for example, to partially liberalize foreign trade. A mistake: if in the entire vast and cumbersome economic object individual units are replaced, the entire economic mechanism will be blocked. How to act correctly? To work out a plan for carrying out a set of reforms. Another plan?

Yes, just so. To define the goal: if it is a market economy, then it is precisely that, without an illusory search for a "third path"—a synthesis of all the best from free entrepreneurship and planned economy, about which some Soviet experts arriving in the FRG dream. To map out a set of microreforms, since the transition to a market is a gradual process, which least of all resembles a race, where everyone starts simultaneously at the stroke of a bell. (Journalist K. Bednarz, with whom we are acquainted, expressed himself even more vividly in this connection: Nor should we idealize a market economy. At first we should understand its mechanisms, clearly visualize all the pluses and minuses, and become convinced that, nevertheless, there are many more pluses. It should not be introduced from above—the effect would be the same as if the right-wing movement were introduced in England overnight without any preparation).

Thus, a series of microreforms, without which a general transition is inconceivable. We should begin from internal convertibility of the ruble, because under conditions of the present monetary system USSR enterprises engage in a physical commodity exchange, while consumers transform their apartments into warehouses of foodstuffs and industrial goods. The new ruble will reduce the accumulation of the mass of money in the population's hands and shortages in supply.

Next, we should establish an economic order based on private property and competition. We should stop subsidies for unprofitable enterprises, at the same time providing for compensation for those whose income will be lowered temporarily. We should organize the retraining of the unemployed, teaching them new specializations, for which demand will appear.

Bank credit rates should always be higher than the inflation level. Only then will competition for loans begin in the country, during which the most rational and profitable projects will win. The Soviet economy should be gradually integrated into the world economy. We should devalue the ruble, bring it into conformity with the real purchasing power, and then Western enterprises will be able to export their products to the USSR.

All such measures, the people we talked to stressed, should be carefully regulated with respect to time and the sequence of their introduction, as well as "dosage," should be determined. And second, without which success is impossible: The plan should enjoy the population's confidence. Immediate and long-term goals and acquisitions and inevitable losses in the course of development should be clearly explained to people.

And although there are no universal formulas for getting out of crises (there is not even a model for the ex-GDR), the Soviet Union should borrow some world experience tested in practice. An example: Latin American countries began by buying obsolete, not new, equipment in

the West. There are special markets where it costs, as a minimum, half as much as new equipment, but it operates no less than 10 years.

Here is a graphic example for you, the people we talked to tried to make us understand. Supermodern machines developed in the USSR are exported to the West. Why? Because they have no use in your country owing to the lack of the necessary infrastructure. All the more, it is absurd to overpay for the latest Western models, which, with rare exception, cannot be used in the USSR today.

(With all the attractiveness of this proposal, in our opinion, it is quite disputable: Will we go far in the "carriage of the past"? Will we not doom ourselves to be an eternal market for yesterday's equipment and technology?)

How can the West help during the implementation of economic reforms in the USSR? To avoid a repetition of mistakes, because the attempt to "invent the wheel" independently is one of the most dangerous attempts threatening to impede the entire process. Knowledgeable experts should be invited to the country and be paid. The expenses will be repaid with interest by avoiding miscalculations and losses, which are inevitable when a new road has to be built. At the same time, it must be taken into account that active Western managers, who try to make a career in their homeland, will not come to us (even in the GDR it is impossible to tempt such managers). Pensioners should be invited, as Latin American countries or China do—not without success.

However, the training of skilled workers is even more pressing. For now managers are more in the realm of the future, while skilled workers are both the present and the future. Primarily skilled workers made West Germany—such as it became.

Help with credits? The people we talk to exchange glances and a hesitation ensues. The point is, they explain carefully, that Western governments do not have substantial funds of their own at their disposal. Capital can be obtained only from big banks, but they are private. They can lend it only with firm guarantees that it will be paid off fully and on time. However, there are now big doubts about USSR solvency.

The bankers, having refused to answer our persistent questions concerning the amount of Soviet debts abroad ("better ask your minister of finance"), in the end announced: according to their tentative evaluations, somewhere over 50 billion dollars.

Is it true that one of our last credits from the FRG in the amount of three billion marks was used to pay the interest on old loans? Not completely, they comforted us, something also remained for the purchase of food. But, somehow or other, the credit was "eaten away," increasing only the mountain of debts...

For the time being, the bankers stressed, the USSR debt level is not considered extremely high here. If the

internal situation in our country is stabilized, it will still be possible to give credits to Moscow. Of course, best of all, the credits should be for a specific purpose ("it is better for you: Otherwise, as was the case more than once, the money will be dispersed over ministries and departments, which most often do not buy with it what your economy needs in the first place").

It is bad that in the USSR proper conditions have not been created for capital investments by private Western enterprises, which could organize the output of competitive goods in your country. For some reason Moscow customarily thinks that the Western business world looks with longing at the vast Soviet market and only dreams about how to invest more capital in it. Another error: Today it is more profitable and reliable to invest, for example, in the countries of South-East Asia. All the conditions for entrepreneurial activity exist there.

In general, consider the following: today competition for investors exists all over the world. There is no longer so much free capital and its owners prefer to invest it in countries with the most favorable conditions. We are just sizing up Eastern Europe and, especially, the USSR. Possibly, in 10 years your market will become attractive to us, but today in the USSR there are too many restrictions fettering private initiative. If you want to saturate your market with goods more rapidly, you will have to change something and to create conditions for foreign investors.

Well, does the picture of our life and our prospects appear to the West in exceptionally black colors? No. As the bankers expressed themselves, they also see a "positive scenario": it is the emerging consolidation of large Soviet republics with the center for the implementation of joint reforms. It is the hope and the chance for a turn for the better.

The bankers believe that the attempts by individual republics, each of which tries to persuade the West to deal only with it, are naive, to say the least. No one intends to risk its capital. Ever closer cooperation, not separatism, are the intensifying tendencies in the world economy. The sooner the USSR realizes this, the easier and quicker will the way out of the deadlock become.

At parting one of the people we talked to told us confidentially: "Of course, you can try to stuff the paste back into the tube, that is, to return to the old hackneyed rut. But then neither God nor the Devil will help you."

## INVESTMENT, PRICES, BUDGET, FINANCE

### Soviet Bankers Sought for Employment Abroad

914A0285A Moscow IZVESTIYA in Russian 5 Jan 91  
Union Edition p 2

[Article by M. Berger: "The 'Brain' of the Soviet Banker Is Expensive in the World Market"]



[Text] Solomon Brothers, a large international financial company, "acquired" Mikhail Zaytsev, the former dealer at the USSR Foreign Economic Bank. The 30-year old Soviet banker, who worked in the system of the Foreign Economic Bank for about nine years, was offered a profitable contract and a job in New York.

The details of the contract itself are unknown, but knowledgeable people maintain that the circulating rumors about the sum of the annual salary offered to Zaytsev—about 200,000 dollars—are not far from reality.

The case with Zaytsev, one of the most capable, as his former colleagues think, dealers (specialists in the conclusion of deals concerning the purchase and sale of securities—currency, gold, and bonds) in the system of the Foreign Economic Bank may seem a sensation only to people not connected directly with our banking system. And although such big money and big positions (chief dealer) and, moreover, in supercompanies of the Solomon Brothers type are not offered to our fellow countrymen every day, the demand for our bankers, who work or did work for the Foreign Economic Bank, is quite high today. Possibly, only scientists in some specializations and sports and cultural celebrities can compete with them.

As practice shows, bank workers, even ours, can also have world names, fame, and prestige among their colleagues all over the world. This circumstance, flattering at first glance, is perceived by workers of the Foreign Economic Bank as a disaster. About two years ago specialists of the highest category began to depart in noticeable numbers from the bank. True, at that time they did not dare to sign contracts with foreign firms, although this was not prohibited by law. They left for joint enterprises and new commercial organizations capable of offering them incomparably more tempting working and wage conditions than did the Foreign Economic Bank, which is a joint-stock bank according to its formal status, but a maximally state bank according to

its real position and role played in the implementation of currency policy and foreign economic relations of the country as a whole.

The dealers of our Foreign Economic Bank are rated quite highly, because the bank itself, possessing an absolute monopoly over currency operations for many years, carried them out on behalf of the country on a vast scale, concentrating enormous funds in its hands. Servicing these large-scale operations in the international market requires high skills and can raise the skills of a more or less capable specialist to a level when one fine day he has a chance to get a tempting offer. Even not very celebrated dealers can receive, as knowledgeable people say, a job for 40,000 to 50,000 dollars annually. According to world standards of the banking business, this money does not represent the most fantastic sum, but even at a rate of 1 ruble for 1 dollar this sum is simply enormous for our employee. A person with a name can receive 80,000, 100,000, and, as the case with Zaytsev convinces us, even more than that a year.

The list of our bankers, who work under certain conditions on the basis of contracts for Western firms, is growing. There are cases when our young bankers go to "them" for good. One of them now works in Zurich. Managers of the Foreign Economic Bank look with alarmed attention at our best specialists, who work for us in our foreign banks for the time being. And not with less anxiety do they look at those who can and are actively outbidded for highly paid positions, even if without a departure, outside state service.

The incipient market relations also create a labor market in the field of banking, but we have catastrophically few specialists here. They were and for the time being remain where people deal with a true market economy. The Foreign Economic Bank is one of such few places in our country. It being presently on the verge of collapse is due precisely to the fact that, traditionally, we are unable to properly value highly skilled intellectual labor. Either we revise this situation, or we will remain face to face with dilettantes, who will ruin us completely.

## POLICY, ORGANIZATION

**RSFSR Law on Property Termed 'Antisocialist'**

914A0365A Moscow SOVETSKAYA ROSSIYA  
in Russian 23 Jan 91 First Edition p 2

[Article by B. Kurashvili, lead scientific associate, USSR Academy of Sciences State and Law Institute, doctor of juridical sciences: "Toward a Dictatorship of the Private Businessman?: What the 'Law on Property in the RSFSR's' Articles Proclaim"]

[Text] Let us call things by their names: in December 1990, the RSFSR Supreme Soviet passed a law on property, which "shuts down" socialism in a republic, socialist by name and constitution. Although this puts one in mind of a hit-man [unter-prishibeyetskoye] "shut-down of America," an extremely serious situation is taking shape: before us is the both disloyal and unlawful act of a legal government.

A social order can be neither instituted nor abolished by a law per se. A law is effective in a multimillion-member society only to the extent that it reinforces and regulates the already formed relations, the hundreds of kinds and variations of these social relations, and the immense, multibillion [multimilliard], number of specific vital relations. The most that a law can be expected to do—this is to institute the sorts of relatively new relations that an overwhelming majority of the society considers desirable, or acceptable, or, as a minimum, tolerable. A majority of the society voluntarily complies with such a law, and only an insignificant minority is compelled to do so.

If a law is opposed, not even by a less-than-overwhelming or simple majority, but "only" by a significant minority, it does not take hold, and has no chances of success. It is no happenstance that a country's constitution is usually adopted, not by a simple majority, but by a competent majority of votes—two-thirds. True, an unpopular law may become effective for some period of time as the result of the state's massive use of force on its society. But a dictatorship sooner or later collapses and fails. Even in such a specific matter as the fresh-in-memory antialcohol measures, the attempts to institute and apply the unpopular law failed with a bang. But property—this is a universal and more fundamental problem. It involves the vitally important interests of all members of society. Only a law with which a majority of the society, an overwhelming majority, is in agreement can be effective here.

It can be said that laws reinforcing capitalist property relations are in effect in most countries of the world, including the booming ones. So why should not such a law be in effect among us as well? Precisely because it is "among us." After all, we are not talking about some abstract society, but specifically about our Soviet society, with all of its history, its traditions, its concepts of justice and injustice, and its knowledge and customs.

A number of sociological polls conducted during the last two years, when socialism was being put down in every possible way and capitalism ("the modern civilization," "the free society," etc.) variously extolled in most mass information media, nevertheless gives only four to six percent as "deliberate" backers of capitalism, and about one-third as its "unconscious" and mistaken supporters; that is, those who support legalization of the foundation of that social order's principles—private property—and think that some sort of socialism still is possible, even with its predominance. One-third—there you have the maximum support on which socialism's eliminators in our country can count.

And, lo, they want to make this society adopt a capitalist law on property. This is a grandiose legislative and political adventure, leading to a total dictatorship of the current pseudodemocrats (only in that way will they be able to enforce the law), to sharper civil confrontations, if not war, and to a new catastrophe. By comparison with that catastrophe, today's breakdown of the economy and government will seem a lesser evil, and the stagnation [zastoy], and even the late Stalinism will seem—not a golden one, of course—but a relatively good era.

What are the grounds for asserting that the: "Law on Property in the RSFSR" is, in fact, capitalist and anti-socialist?

Article 2.3 prescribes that "property may be held in private, state, or municipal ownership, as well as in the ownership of public associations (organizations)." That is, private ownership is instituted in a number of ownership forms, with no strict limitations as under the NEP [New Economic Policy of 1921], and, in the spirit of the law, as the predominant form. Named among the objects of a "citizen's" private ownership are land parcels, stocks, mass information media, enterprises and their property complexes, transportation means, and "other production means"; that is, everything desired (article 10.1); in short, the full array of production means that serves as the basis for private capitalist entrepreneurship. There is one exception—mineral resources. According to article 6.1, "mining tracts for mineral exploration and mining [oil exploration and extraction included] are state property and may be put into the possession of a citizen, or of legal entities...." Thus, it is permissible to be the owner of a land parcel (dimensions not limited) and the possessor of a mining tract, and to have an enterprise for extracting oil, coal, gold, etc. Several "citizens"—private owners—may form a "company" [tovarishchestvo] or "corporation" [khozaystvennoye obshchestvo], including a stock one (article 14).

Even a worker may have his own investment in a corporation-type enterprise's property (as well as in that of a cooperative-type enterprise, which, for some reason, is also considered "private") (article 15). Naturally, the law does not talk about the workers' possessing insignificant investments as a rule (10 to 20 percent of an enterprise's stock capital in all). For the workers, this is



just a source of income supplemental to their wages. The main portion of the stock capital belongs to large stockholders and stockholder-brokers—the real owners of the business—who administer it both directly and, more often, through managers appointed by them.

Under the RSFSR law on property, private capitalist entrepreneurship receives the complete freedom about which future Soviet capitalists (and these, for the most part, will be criminal shady dealers and corrupt state officials grown rich on bribes) can only dream. So also do foreign capitalists. A special section in the law (the fifth) gives full rights to joint and foreign entrepreneurs. The state is charged with protecting the property rights regardless of the owner's location (article 2.5). Both foreigners and RSFSR citizens may live abroad and have enterprises in the RSFSR.

It cannot be said that the law lays its capitalist essence bare with complete frankness. No, some of it, it is true, is vague, a masquerade, and a certain concern for propriety is still present. Well, of course there is absolutely no naming as capitalist of private ownership and the entrepreneurship based on it. The main method by which provision is made for the law's propriety—this is presentation of the more-than-dubious new customs in the same general package with unquestionable provisions.

In the law, there are many unquestionable and commonly accepted (even in socialist law) norms regarding owner's rights, legal entity status, property rights protection, etc. Norms of this sort constitute a predominant share of the law's text. They have been transcribed with more or less approximation, and without any necessity whatever, from the effective RSFSR Civil Code.

The private property concept itself is far from scientific. The forms of ownership that are beyond the bounds of state and municipal ownership, and the forms of public-organization ownership are regarded as private. It turns out that even collective and cooperative property, which presupposes the uniting of owner and worker in a single entity, and thus precludes hired labor—is also private. It also seems that the individual-family [individualno-semeynaya] property on which individual-family production, without the use of hired labor, is based—is private too. And, finally, personal ownership—of property for, not production, but consumer purposes (clothing, home, furniture, automobile, etc.)—is also private.

Thus is the main politico-economic feature of private property—its inherent and inseparable linkage to the worker's alienation from the means of production, and the exploitation of man by man—given shape and slurred over. Without this feature, there is no private property. Indeed, private property gives its entity the opportunity and the right to hire workers deprived of production means, and to manage their production, keeping the hired workers out of this task (or, at most,

permitting their indecisive participation in management), and permits the entity to make disposition of the production product and appropriate the hired workers' unpaid labor.

Socialism arose as the social order which eliminates this eternal injustice. True, the model of socialism that has existed in our country is not free from its own injustices. Chief among these—that the capitalist servitude has been replaced by the bureaucratic. Moreover, the bureaucratic management of production and the economy has proved less efficient than the capitalist. However, this is not an inherent flaw of socialism, but a defect in one of its models, which now can be specifically removed; and the true advantages of socialism, which presupposes private property's elimination and its abolition (with its possible limited authorization, as under the NEP), can be proved.

How does the RSFSR law on property compare with the Union law? Both poorly and well, but the latter is also bad.

In the decree on putting its law on property into effect, the RSFSR Supreme Soviet decreed that the: "Law on Property in the USSR" (passed in March 1990) does not apply in RSFSR territory, with the exception of article 25. From the standpoint of the USSR Constitution that is in effect at the present time, such a decree is unlawful. This is a matter from the area of the "war of sovereignties" and the "war of laws," and let us not dwell on it. Let us just observe that the policy of "censoring" Union laws, being pursued by the RSFSR, is a policy of weakening and disorganizing the Union as a federated state. Meanwhile, Russia [the RSFSR] itself, as a federated republic, adheres to the old line in its interrelations with the republics, now sovereign, that are included in it, and considers its laws obligatory for them. There are two standards. It is interesting: How will the clash be resolved when some republics included in the RSFSR's makeup declare their adherence to the socialist alternative, and refuse to abide by antisocialist Russian laws?

When viewed in isolation from the unconstitutionality of the "war of laws," the grossly discriminatory Union law on property is "not missed" because it does, in an ambiguous and timid way, the very same thing that the analogous Russian law, not entirely, but more openly does. Alas, even the Union law legalizes private property. In particular, it too uses an amorphous and, from a politico-economic standpoint, meaningless "citizens' property" concept, which merely masks the essence of the economic relations, and in which the distinct-in-principle property for production purposes and property for consumer purposes, individual-family, and private property are confused.

It is "a pity" that almost the only naturally socialist provision of the Union law—concerning the matter that forms of ownership which lead to man's exploitation by man and the worker's alienation from production means must be ruled out—is discarded [in the RSFSR law]. In

the Union law, this provision seems both hypocritical and contradictory to the law's main content, but, in the presence of the current antisocialist fad and official duplicity, it has a certain value, even in declarative form.

In permitting itself to disregard the USSR's laws and constitution, does the RSFSR Supreme Soviet even take the constitution of its own republic into account. Also no, it turns out. The Law On Property in the RSFSR is doubly unconstitutional.

First, the RSFSR Supreme Soviet assumed rights that did not belong to it by resolving, in the usual legislative manner, an issue that the people themselves must resolve. Article 5 of the RSFSR Constitution affirms: "The most important issues of state life...are referred to an all-people's ballot (a referendum)." And what can be more important than the choice of a social order!

Second, taking into account the amendments and supplements introduced into the RSFSR Constitution by the Congress of People's Deputies of 15 December 1990, no provisions that could be interpreted correctly as the legalization of private ownership, and without limitation moreover, are contained in that constitution. In the new edition of article 10, it is said that the conditions are being created "for developing a variety of forms of ownership." However, it does not follow, either from this or from the constitution's other provisions, that every conceivable form of ownership is included in this "variety." It is possible to derive both slaveholding and feudal private ownership from the indicated formula with the same success. Under the influence of discussions of democracy and the rule-of-law state (there are especially many of these in the draft "Constitution of the RF [Russian Federation])," the Supreme Soviet and its decisive leadership deduce something to the contrary.

The "Law on Property in the RSFSR" has no prospect of becoming an effective law. It will bog down in the people's opposition.

Is there an alternative to the capitalistic, anticonstitutional [sic] law on property? There is. It is given in the economic section of the draft RSFSR Constitution submitted by the People's Deputies who are members of the group "Communists of Russia" and experts and scientists. This draft was published by SOVETSKAYA ROSSIYA on 24 November 1990. The set of ownership forms proposed in it comes close to what is contained in documents of the "Marxist Platform in the CPSU."

The essence of the proposed economic reform (reform specifically, and not "revolution," as the pseudoleftists call their counterrevolutionary attempts) lies in the following. "State" ownership is understood as the people's (the state is not an owner, but the owner's representative). It is exercised, not only in the form of direct state administration, as heretofore, but predominantly in the form of a transfer of enterprises into the authorized operational possession of labor collectives; precisely into their possession (as incomplete but sufficient ownership), and not into their bureaucratic "operational

administration" or "management." The collective bears responsibility for the preservation and augmentation of the people's property, but takes the property into its disposition without payment (as opposed to paid rental), uses it independently as an independent goods producer, participating in competitive market relations, and builds its own prosperity on the property's efficient utilization. Collective (cooperative, kolkhoz) and individual-family forms of ownership are encouraged along with the people's. Private ownership, chiefly in the form of foreign capital's mutually advantageous participation, is permitted with reasonable limitations.

It is said that no sorts of "ism's" and ideological labels are needed today. Maybe so. Then, without them, this is the forecast. If the RSFSR's peoples approve the officially presented draft "Constitution of the RF," the law on property will become constitutional, and, after the notorious "500 days" or several years, about 70 percent of the enterprises (large, medium-sized, and small) will be in the hands of present-day shadow economy sharpies [teneviki]. If, however, the RSFSR's peoples approve the draft constitution submitted by the group "Communists of Russia," the law on property under appraisal will disappear like a bad dream, and the same 70 percent of the enterprises will be in the authorized operational possession of labor collectives. In the first case, we shall have a market based mainly on private entrepreneurship, but in the second—a market based primarily on collective entrepreneurship. The choice is clear enough without the "ism's," is this not so?

In conclusion, I should like to say this. Let us trust that the Russian leadership's actions are inspired by the idea of Russia's revival, and not, as is said of it, by personal ambitions. Let us trust. However, is this not a case in which good intentions are leading to the hell of profound sociopolitical destabilization, disruption of historical development's natural order, chaos, and decline? Russia's revival, which all Soviet people desire, is impossible on the ruins of either socialism or the Union. Russia can be revived only in conjunction with socialism's reconstruction and the Union's reconstruction. Russia is completely permeated and saturated with socialism, and it has continuously grown in the Union, and has grown with it. Its dual mission of social-development trailblazer in our era and backbone of a unique concord of peoples has become its great historical lot, ignoring which, its respectable life is impossible. It is necessary to understand the real Russia, and to believe in it with mind and heart. There is no reasonable policy outside of this.

#### **Kirghiz Populace Polled on Economic Reform**

914A0358A Frunze SOVETSKAYA KIRGIZIYA  
in Russian 9 Dec 90 p 2

[Article by A. Toktosunova, director of the sociological group of the republic's State Committee for Labor, and L. Sukhanova, sociologist: "What the Kirghiz People Think About Economic Reform"]

[Text] While the need for economic reform has entered public consciousness, there is a big divergence in the evaluation of its presumed consequences among participants in the poll. Workers and employees are much more pessimistic than representatives of the second group—managers.

This spread of views is clearly seen from the following table. Five versions of an answer were offered to respondents.

	Workers and Employees	Managers
	(in percent)	
The republic will make a spurt	17.4	44.5
Nothing will change	21.2	10.5
Economic chaos will begin	20.2	10.5
Did not give thought to this	12.1	2.9
Had difficulty in answering	26.5	21.6

In the first group (workers and employees) mostly young people and cooperative workers—basically, these are representatives of the native nationality—believe in an improvement in the economy. In the second group optimists predominate among enterprise managers and ministry workers, their share growing as their educational level becomes higher. Among national groups the Kirghiz are most confident in the success of reform and among age categories, older people. We would like to note that respondents are conditionally divided into pessimists and optimists regardless of their evaluation of the present state of the republic's economy.

The poll also assumed a clarification of the opinion of "rank-and-file" workers concerning the prospects of their enterprise. Nor are these views noted for optimism. Almost one-half of them do not foresee any changes. One-fifth believe that their enterprise is threatened with bankruptcy. It can be stated that belief in a "bright future" has been greatly shaken during the years of perestroika, which has been dragging on.

Comparing the positions of respondents in the first and in the second group, one begins to doubt someone's statement that pessimists are well informed optimists. On the whole, those that most critically evaluate the present state of the republic's economy are the biggest optimists, because they believe that it could not be worse and, therefore, are ready for the most radical changes.

Debating changes in the social sphere, workers and employees greatly hope for changes for the better in the solution of the housing problem (25.6 percent). Problems of job placement evoke the greatest concern. More than one-third of those polled believe that "the job situation will be worse."

The rest think the following:

Well-being will improve	28.1 percent
It will remain at the previous level	25.8 percent
It will decline	21.6 percent

This forecast is characteristic to an equal degree of both advocates and opponents of the transition to a market.

It was also suggested that an opinion be expressed about how the well-being of the respondents' families would change when the outlined transformations in the economy are realized. One-fourth of those polled either had difficulty in answering it, or "did not think about this."

A distinctive psychological phenomenon was revealed in the course of the polling. The point is that respondents weigh primarily the chances for a wage increase, avoiding the problem of inflation, shortage, and a possible price rise during the transition to market relations. Moreover, pensioners, disabled persons, and other disabled citizens did not participate in the poll.

Clarifying the attitude toward a possible decline in the standard of living during the period of implementation of economic transformations, we proposed the following as one of the versions of an answer: It could not be worse. The overwhelming majority of the respondents stopped at this. That is, public sentiments are strained to the limit and a further decline in the standard of living can cause dissatisfaction with the policy conducted by the republic's and the country's governments. Written answers also point to tension and unwillingness to further tolerate such a situation. At the same time, the share of those who intend to demand the government's resignation is approximately the same in all sociodemographic and occupational groups.

Workers and employees in mass occupations and some managers and specialists quite often express not so much an opinion as an emotional evaluation of the problems. The data obtained attest to the fact that people have become tired of abstract, ideologized goals. They want to see real prospects for adequate living conditions and to have confidence in tomorrow. That is why during the transition to a market negative frames of mind and opinions of the bulk of the able-bodied population will have to be taken into consideration.

#### Moldovan Supsov Assesses 1991 Economic Situation

914A0284A Kishinev SOVETSKAYA MOLDOVA  
in Russian 5 Dec 90 p 1

[Article: "Meeting of the Presidium of the Moldovan SSR Supreme Soviet"]

[Text] A regular meeting of the Presidium of the Moldovan SSR Supreme Soviet was held on 3 December.

Aleksandr Moshanu, chairman of the republic's Supreme Soviet, conducted it. Basic indicators of Moldovan SSR economic and social development for 1991 were examined at the meeting.

It was stressed that the losses of agricultural products that have occurred during the current year, the significant underutilization of funds in the area of capital construction, and the decline in the regularity in industrial production will have a negative effect on the economic and social development of the republic's national economy in 1991. Preliminary calculations show that existing capacities will not be able to ensure the output of some types of industrial goods in a full volume. Therefore, the republic's more or less normal provision with them will be possible only through a reduction in exports.

The provision for economic contracts for next year is disturbing. This process is complicated by numerous unsolved problems of material and technical supply. For example, light industry has managed to provide contracts with only 45 percent of the required quantity of raw materials. The population's demand exceeds the volumes of cement and building stone output planned for 1991. The reason for this lies in the chronic lack of provision of the republic's residents with building materials in the required quantity. At the same time, at the meeting it was stressed that meat, milk, eggs, and vegetable production will remain approximately at the present level and that the level of the population's provision with grain crops, fruits, and potatoes will be below the needs. It was also noted that the volume of export of industrial and agricultural goods for 1991 was brought into conformity with import indicators.

The decree of the Presidium of the Moldovan SSR Supreme Soviet notes that the government should work out the basic indicators of Moldovan SSR economic and social development for 1991 with due regard for the remarks and proposals by presidium members. It was decided to submit this document to the Moldovan SSR Supreme Soviet for consideration before 10 December.

The Presidium of the Supreme Soviet approved the Moldovan SSR delegation for participation in negotiations with the Ukraine's representatives. It includes deputies George Amikhalakioaye, Aleksandru Arseni, Ion Borshevich, Valeriu Matey, Vasile Nedelchuk, Anatol Tsaranu, Ion Tsurkanu, Mikhay Patrash, Mikhail Plasichuk, Pyetru Sandulaki, and Ion Vatamanu, as well as USSR people's deputy Grigore Viyeru.

The Presidium of the Moldovan SSR Supreme Soviet also adopted a decree on awarding a qualifications degree to some people's judges of Moldovan SSR rayon and city people's courts.

## INTERREGIONAL, FOREIGN TRADE

### Azerbaijan, Georgia Sign Economic Agreement

914A0310A Tbilisi ZARYA VOSTOKA in Russian  
8 Dec 90 p 1

[Article by AZERINFORM—"Sakartvelo" Information Agency: "Azerbaijan-Georgia: To Intensify Cooperation"]

[Text] T. I. Sigua, chairman of the Council of Ministers of the Republic of Georgia, arrived in Azerbaijan's capital for an official visit on 6 December. In Baku he met with G. A. Gasanov, chairman of the Azerbaijan SSR Council of Ministers. Mr T. I. Sigua and persons accompanying him visited Shekhdlyar Khiyabany in Nagornyy Park, where victims of the tragic January events are buried. The guests put flowers on the graves in mournful silence.

Negotiations between government delegations of the parties were held during the second half of the day.

The firm policy adopted by Azerbaijan and Georgia for an expansion of mutual direct contacts and intensification of production and economic relations on a qualitatively new basis is one of the key factors in the strengthening of sovereign rights of the Union republics. The approaching transition to market relations and the changing political situation in the region and throughout the country will also have a big effect on the further development of mutually advantageous cooperation. The negotiations proceeded in the context of these changes. In the course of these negotiations both parties noted the need to intensify the traditional friendly relations and to speed up the solution of urgent problems in Azerbaijan and Georgia.

In the past the ratio of the volumes of mutual deliveries between the republics was not in Azerbaijan's favor. The difference totaled approximately 150 million rubles. Now, however, positions will be evened out. For next year the Georgian side expressed readiness to cover approximately one-third of the disbalance, basically, through additional deliveries of main electric locomotives, agro-industrial products, and rolled metal products. In turn, despite some reduction in the production of petroleum products next year, Azerbaijan found ways to meet the partners' request and to retain the volumes of deliveries of fuels and lubricants to Georgia at this year's level.

The most important problems concerning transport communications, in particular, problems connected with freight transport on motor highways and railroads and utilization of the capabilities of the port of Poti, were examined during the negotiations. Obsolete plants, which hamper the further development of enterprises, also require qualitatively new economic relations today.

The parties agreed to cooperate not only in the economic sphere, but also in the area of interethnic relations.

environmental protection, and normalization of the ecological and sanitary situation in the region.

The final draft of the document noted that, for the purpose of protecting internal markets and the population's interests in provision with necessities, the parties agreed to promptly notify and coordinate their actions during a change in retail and purchase prices and other forms of regulation of the internal market. It was also decided to jointly provide for measures to stop any attempts by economic subjects aimed at infringing on the interests of both republics. The parties assumed mutual obligations not to transfer without mutual consent energy and other resources supplied on the basis of the parties' contractual obligations to a third party.

An intergovernment agreement on economic, scientific-technical, and cultural cooperation between the Azerbaijan SSR and the Republic of Georgia was concluded on the basis of the negotiations results. It was signed by G. A. Gasanov, chairman of the Azerbaijan SSR Council of Ministers, and T. I. Sigua, chairman of the Council of Ministers of the Republic of Georgia.

After the signing ceremony, at the request of the AZER-INFORM correspondent, the heads of governments of the two republics commented on this event.

"We are very pleased with the results of joint work," Mr T. I. Sigua said. "The signing of such a large-scale agreement will give a new impetus to our traditionally friendly fraternal relations. We hope that the expansion of horizontal ties will give good results and the economy of the parties will begin to develop more intensively. I would also like to note that we intend to significantly expand mutual activity in the humanitarian area, in gaining access to third countries, and in the establishment of joint enterprises."

"This agreement greatly exceeds the framework of pure economic cooperation," Mr G. A. Gasanov noted. "The signing of this agreement attests to mutual recognition of the political course adopted in the republics. We are satisfied that the new Supreme Soviet and the recently formed Government of Georgia have shown goodwill and understanding of the great responsibility for the fate of our lasting, centuries-old, friendly relations, which are to promote peace and quiet in the Transcaucasus. In this respect it is difficult to overestimate the signed agreement."

## PRICES, BUDGET, FINANCES

### Bank of Estonia Supplants USSR Foreign Economic Bank

914A0367A Tallinn SOVETSKAYA ESTONIYA  
in Russian 1 Dec 90 p 1

[Article from ETA: "A Solution Can Still Be Found Today"]

[Text] President of the Bank of Estonia Reyn Otsason confirmed that the Bank of Estonia has full power to serve clients in place of the Tallinn Branch of the USSR Foreign Economic Bank, which is being liquidated.

R. Otsason reported that there are legal foundations for the activity: the bank has the right to issue authorizations for hard currency being transported across the border, and the USSR Customs Department has given instructions to all border points to accept them. A correspondent account in hard currency has also been opened for the Bank of Estonia at the USSR Foreign Economic Bank. Because of that, the Bank of Estonia also serves its clients through that bank.

Those who are hesitating should present their petitions right now to remain clients of the Bank of Estonia; otherwise they will automatically have to deal with Moscow. The Bank of Estonia will be able to organize the work of currency exchange points starting 1 December, pay salaries to clients having ruble accounts starting 4 December, and begin paying business trip expenses in hard currency to those who have hard currency accounts starting the first week in December. Payment accounts will take slightly more time.

### Latvian Tax Policy on Enterprises Explained

914A0383A Riga LATVIJAS JAUNATNE in Latvian  
21 Dec 90 p 1

[Article: "How To Take Away and Protect at the Same Time"]

[Text] On Thursday, the Parliament passed a law on income tax. The law came about with some difficulty—much work was done, resulting in substantial changes to the draft submitted by the government.

Income tax will be paid by all enterprises located within the territory of Latvia, including private enterprises. Private entrepreneurs who pay the income tax are exempt from resident income tax. The income tax rate for government enterprises is 35 percent; that for private ones—25 percent. Special calculations will be made if the type of property is mixed.

This is quite tolerable! In the Soviet Union, this income tax rate is 45 percent, as was that proposed in the draft submitted by the government.

Apparently, the "figures" chosen by the deputies are a compromise between the tax having to constitute one fifth of the Republic budget, and at the same time sparing the reapers of profits to the extent possible.

E. Repse, who led the working group of deputies for the preparation of this law, emphasized in conversation with LATVIJAS JAUNATNE as follows: The future of Latvia depends on the entrepreneurial activities of its population, and therefore everything has been done to ease the creation of private enterprises. Over the years, the



expansion of the economy will in turn result in an increase in the combined volume of tax receipts.

Good will is evident in that, for example, a new entrepreneur will not have to pay the tax for the first two years. Agricultural activity and the production of agricultural products are completely exempt. Relief is envisaged for philanthropic and other important programs in the Republic of Latvia.

One of the points of contention was how to divide the receipts among budgets of all levels. In all cases, 70 percent will go to the state. The exact amount that each municipal government gets has also been decided. In the

capital, the remainder is divided as follows: 10 percent for Riga, and 20 percent for the city rayons.

In a city subordinate to the Republic, all 30 percent will go to the local municipal government; in rayons—10 percent is to go to the rayon budget, and 20 percent to the rural district or village.

“Enterprises of so-called all-union subordination may cause problems,” said E. Repse in an interview with our paper. “It’s difficult to tell whether they will obey the legislation of the Latvian Republic or try to avoid paying the tax. The incentive for these enterprises is of course that the tax rate in Latvia is lower.”



## AGRO-ECONOMICS, POLICY

### Nikonov Discusses Agricultural Reform Issues

#### Looking Beyond Current Problems

914B0071A Moscow PRAVDA in Russian 22 Jan 91  
Second Edition pp 1-2

[Interview with Aleksandr Aleksandrovich Nikonov, president of VASKhNIL, by A. Platoshkin: "Do No Harm"]

[Text] A dialogue between A.A. Nikonov, member of the academy, president of VASKhNIL [Academy of Agricultural Sciences imeni V.I. Lenin], and a journalist about land reform and the referendum, about the destiny of the countryside. When and under what conditions will it remove the Damocles' sword of the food shortage that hangs over our country?

[Platoshkin] Aleksandr Aleksandrovich, probably the most acute issue being discussed today in society is that of agriculture. Which is understandable. We learn from the tabulations and the official reports: everything is produced—grain, meat, and milk—more than in the previous year. And the entire five-year planning period was very good for the countryside. Yet store shelves are empty. And rallies of the "hungry" are shaking our cities and the authorities. Some of these people curse the bureaucrats and the kolkhozes, they put every hope on private farmers. Others do not want "bloodsuckers" in the new society. What is your position on this as a scientist and as a citizen?

[Nikonov] I do not think that form is the main thing. It is the content that is important. Production relations, that is. You can fill the form with whatever you like. The kolkhoz, for example. What is it: a garrison with workers who have no rights? That is, unfortunately, what it has been. But the kolkhoz could become a real cooperative. In which the social is combined with the personal, in which the concentration of production and a powerful infrastructure work for general success, in which management methods are democratic. Every person has his share in the common cause. That is the original nature of the kolkhoz. We disfigured and perverted it. On the one hand, even an independent owner can be enslaved so that he can neither sigh nor take a deep breath. With prices, with taxes. This is another example from our history.

So that I consider it idle to debate whether preference should be given to the kolkhoz or to the private farmer. Why argue this point to no avail? The choice depends on the specific conditions. The peasant will have the last word. Incidentally, this was stated back in the Land Decree adopted 26 October 1917.

[Platoshkin] Yes. But the call for dissolving the kolkhozes is heating up the atmosphere in society.

[Nikonov] I consider the slogan about dissolving the kolkhozes reckless. No one is even advancing it seriously. It would be criminal to break up those that are performing well. The kolkhoz members themselves would not allow it. Those that are poor and weak are in need of radical reorganization, all the way to transfer of their land to the peasants, to cooperatives, to other enterprises. It is an indisputable fact that all farms have to be brought up-to-date. They need to be democratized, people have to be given a greater personal interest in the effort, and this has to be related to ownership. This is understood by intelligent far-seeing managers, and they are going in that direction.

I am in favor of true pluralism, not a pluralism that is merely declarative. Our country is immense. The conditions for cultivation and the historical traditions of the nationalities and regions are extremely diverse. How is it possible not to take them into account? I see no social or other danger in peasant farms producing for the market (private farming). It would be good to have more of them. These are great toilers, they do not work by the clock.

[Platoshkin] And ownership of the land, privatization? Is this the main issue in agricultural policy?

[Nikonov] No. Although it is a very important one. Privatization is in general necessary. We nationalized everything, made everything public. Incidentally, we deprived ourselves even of elementary everyday services. We nationalized all the tailors, cobblers, and hairdressers. We went to absurd lengths, we put everything on the same level, depersonalized everything. We did away with incentives for good performance. Is that not why we have a psychology of leveling, irresponsibility, and consumerism in our society? The psychology of the lumpen proletarians.

[Platoshkin] Treatises running to many volumes have been written about the reasons for our failures in agricultural matters. There are long monographs and lectures by scientists about how to optimize the material and technical base and manage the APK. Although really the failures and the way out of the blind alley can be stated in just two words: "Not mine."

[Nikonov] When grain, potatoes, and tomatoes are rotting and dying—it is not just the weak material and technical base and the worthless agricultural service that are to blame. Above all, it is that very attitude of "not mine." Good work requires a high sense of morality and spiritual sense, a personal interest, and not merely warehouses, refrigerators, and transportation....

[Platoshkin] And as for the land....

[Nikonov] The referendum in the republics will answer the question of whether private ownership of land is needed. I do not want to anticipate it. The main thing is that the individual be the owner of the end product, of the income. That is obligatory. It is possible to requisition the harvest even from a landowner or to pay a token

price. We know how that is done. And it is possible to prosper on a rented field. Or on a field possessed for life with the right of bequeathal, which has been envisaged by the bases of land legislation adopted by the USSR Supreme Soviet last year. That is better. The point lies in the guarantees, in the stability.

Private land ownership predominates in the world. But then I was recently in Israel. There, 91 percent of the farmland is owned by the state. They lease it for terms of 49 and 99 years to peasants, communes, and cooperatives at a low rent, it can be bequeathed, and the term of the lease is automatically extended at the peasant's wish. And what has happened? A flourishing agriculture has been created. One man working in the field furnishes food for 60 persons. Harsh legislation aimed at conservation of farmland and observance of environmental requirements is in effect along with private ownership in the civilized countries. They also do not sell to anyone who comes along, but to people who are professionally trained and who work on the land, on the basis of a competition, under the watchful eye of the land bank.

[Platoshkin] You have been secretary of an uyezd committee, secretary of the Central Committee of the Communist Party, republic minister of agriculture, and you have devoted three decades to science. Does your personal experience confirm that the agricultural question is the most important one in the attitudes and life of people and the state?

[Nikonov] Unquestionably. If he is to live and create, man must first of all have food, water, and a roof over his head. Soviet power would not have been victorious in October 1917 nor in the Civil War if it had not given land to the peasants. And what troubles have come from what amounted to confiscation of their property in 1929 and 1930. There never would have been any Antonovism nor uprisings like Kronshtadt if the hammer of war communism and general discrimination had not been brought down on the head of the peasant.

No good will come of a society or state that insults and does not esteem the peasant, his work, his property.

[Platoshkin] What does agricultural policy and the agricultural issue mean to the life and prestige of the party?

[Nikonov] I would say almost everything. If you do not resolve the agricultural issue fairly, then poverty, empty store shelves, and impoverishment of the countryside are inevitable. That leads to impoverishment of society as a whole and embitters people.

[Platoshkin] Poverty, they say, is not a vice. Is that right? It is worth thinking about. Why are there poor people when the natural resources are so very rich and society has an immense intellectual potential?...

[Nikonov] Poverty is the basis of all unwholesome attitudes and conflicts. To speak about its causes would be to repeat what has already been said many times.

I am far from putting the blame on the CPSU for all the crimes of totalitarianism. At one time, the party suffered from the mass repressions and deformations more than the other strata of society. But it was unable to preserve the alliance of the working class with the peasantry, although it always declared it. Fair and rapid settlement of the agricultural issue in its various aspects: economic, social, political, ideological, and spiritual, carrying out a land reform in the interests of the peasantry, will at the same time be in the interests of the entire society. I think that this is very important for strengthening the prestige of the party as well.

[Platoshkin] There is no getting around agricultural science in this matter. Does it not seem to you that it has let society down, that it has trailed along in the rear and merely said things that everybody already knew?

[Nikonov] There is no need to speak about the role of science, everyone knows about it. In the world today, the principal growth of food production is achieved by assimilating scientific developments. The Green Revolution has helped to feed peoples who have been chronically hungry, to turn countries like India, say, into exporters of grain. The biological potential of the varieties of our selection centers are being used in practice at a level of only 30-35 percent.

[Platoshkin] They say bad things about the scientists....

[Nikonov] They chase after foreign varieties, although our own are just as good. Merely because our scientific institutions and seed-growing farms are not well-equipped, they have not been brought to the point of refinement. In the twenties, our agricultural economics and genetics were leaders in the world. Advocates and ideologues of the organizational and production school, men like A.V. Chayanov and N.D. Kondratyev, had a wonderfully simple plan for transition of the countryside to socialism: preserve and support the work-based peasant farm, develop the cooperative in every way, and apply scientific developments in practice. That is the road the entire civilized world is traveling. Chayanov, Kondratyev, and like-minded people were shot and rehabilitated only in 1987. Our science of agricultural economics was buried by I. Stalin. In 1948, the death blow was dealt to genetics, and N.I. Vavilov died in prison even before that. The totalitarian command system has no need for science. That system was itself teaching everyone. And you have said it—stale news....

[Platoshkin] Totalitarianism has been overthrown....

[Nikonov] Its consequences remain. Some of them are in the underestimation of science, the lack of attention to its needs, the attempts to put the blame on scientists for the profound food crisis. And at the same time their recommendations are not put to use. Or the demands that are made: Give us something that will change everything overnight. The scientist is not a fakir, he is not an illusionist. He has no magic wand. He does have intelligence, knowledge, experience....

[Platoshkin] Is there a package of proposals for the present?

[Nikonov] Yes. And on practically all aspects of development of the food complex. Science is viable only in the context of self-management and democracy. So that it needs to be taken up as an instrument by other forces and put to intelligent use.

[Platoshkin] Science has been trying ever more vigorously to reach those very social forces which you have mentioned, through journalism for one thing. This especially applies to the peasantry, the peasant farm, and the way rural life is organized in general. The disputes in this area are very fierce. Passions and prejudices sometimes prevail over arguments and facts. But in the press the scientists usually are not debating their own colleagues, but the journalists. You are also one of the participants in that debate. What do you say about the press in this connection?

[Nikonov] Journalism is an implement that has a direct and immediate effect. In my opinion, it has been shaping public opinion quite vigorously. And it also feeds on the moods of society. In the period before perestroyka, it was boring to read newspapers and magazines and to look at television. The prevailing shades were gray and pink.

[Platoshkin] So it was all uninteresting?

[Nikonov] There were, of course, serious and constructive things published even then. I am surely not the only one to have inscribed in his memory the refreshing lines of essays by Valentin Ovechkin, his "Everyday Life in the Rayon." That was a "thaw." Now, you cannot recognize journalism. Nor can you recognize certain journalists. Their views have changed too sharply, sometimes by 180 degrees. Well, this can be a matter of convictions, often sincere, and of some other considerations. I do not want to be a judge.... The positions are very diverse: from "hold on and do not let go" to "we will tear down the entire world of violence to the foundations...." It is not always clear what comes afterward. And in our miserable situation it would be good to have more objectivity, judiciousness, and nonmaterial values. Individual examples cannot be taken from experience and conclusions applied to the entire totality of phenomena. Failures cannot be relished. How apt here is the ancient medical commandment: "Do no harm!"

The continuing attempts to find the "culprits" in science and "compromising material" on scientists are making people bitter. This is not hard to do: quotations are taken from the distant past, torn out of context, true and imaginary facts are given, comparisons are made to present-day statements. And the image is created of someone who changes with the wind. There is nothing new about all this, that is the way the famous dossiers were compiled at one time.... No consideration is given here to the views of the man as a whole, his actual activity, the natural evolution of his views. In that way, it is easy to alienate and slander someone who is honestly

and sincerely committed to perestroyka. But perhaps there are those who were counting on things like that!

[Platoshkin] Society is tired of the pumping up of emotions. Sooner or later it presents us its moral and ethical bill. You, the scientist, the journalist, the ordinary citizen—must feel personal responsibility to your contemporaries and descendants. Being honest with them means above all acting out of convictions, not for the sake of ambition. In the approach to those same agricultural matters. There are, of course, quite a few extremes here. But is there a "golden mean"? Of what does it consist?

[Nikonov] Again, we must turn to science. For analysis and calculation are its tools, not emotions. Analysis and calculation not only of technological and economic factors. But of their complete totality. Including psychology, the comforts of everyday life, the environment and well-being of nature, traditions, and people's non-material needs. Quality in the broadest sense.

[Platoshkin] Science has previously attempted to speak about this....

[Nikonov] Yes. But who was listening? Some in fact were, it has to be admitted. I am impressed by the reformers of the kolkhoz and sovkhoz, those who perceive perestroyka and pluralism in real terms, not just in rhetoric. At least some people, and not all at once. Examples are Chartayev in Dagestan, Moryakov in Pskov, Sharetskiy in Belorussia, or Motornyy in the Ukraine. They have understood that old-fashioned conservatism has no future. They have understood that it is not just a question of resources.

There are a growing number of people who are struggling for independent economic activity. These are committed people. It is unimaginably difficult for them in an atmosphere infected with shortages, inflation, bureaucracy, and bad faith. In any more prosperous state, the peasant does not live in isolation. He belongs to a cooperative, sometimes several. No one orders him around. Supply, sales, storage, and processing of products, construction, consultation and training, veterinary, agricultural, and technical services are provided by the cooperative.

[Platoshkin] What about the "golden mean"?

[Nikonov] I see it in the combination of two principles: freedom of choice, optimization of the utilization of all resources. This can be achieved by transforming the kolkhozes and sovkhozes (the main way) and by creating other economic forms. Take note: We were close to achievement of this mean back at the end of the twenties. At least we were headed in that direction. Everything was canceled out by the "year of the great turnaround," "liquidation of the kulaks as a class," and many other things that followed afterward.

[Platoshkin] We debate, mainly in the city, on what rural life will be like. What is actually changing there? As an

economist, scientist, and practitioner, and indeed a peasant in spirit and by birth, are you not irritated by the dilettantism of some of the judgments about the fate of our countryside?

[Nikonov] I will take things in order. The new forms are emerging, even if timidly. On the whole, the peasant is getting along poorly. He is held down by the lack of roads, the lack of development of everyday life, the terribly poor supply. An unhealthy environment and lack of social development. That is what has been destroying rural life, devastating its productive forces, demoralizing people. Profound apathy and mistrust have not yet been overcome. Rural life is problem number one for our society. The state is very much to blame for this. And as for dilettantism? What can you do, you cannot prohibit people from having their own opinion.

[Platoshkin] It is not only the fate of professionals to make judgments about various aspects of our reality. It is dangerous when people try to distort and divert public opinion deliberately. It is dangerous when the dilettante is given the right to make decisions crucial to people's destinies and the fate of a most serious matter.

[Nikonov] We are improving the institutions of state power. The demand for these "stabs" has come even from it itself.

[Platoshkin] In the discussions on the forms of ownership, you, as far as we know, have not been an advocate of extremes. Some of our readers accuse you of selling out. What do you say to that?

[Nikonov] Words like "selling out...opportunism...petit bourgeois psychology..." I have had addressed to me many times in the past. The position of centrists is always vulnerable from both flanks. It is evident that in the depth of my soul I have remained a peasant to this very day. This is normal for a person who was born in the country and worked there until the age of seven. Neither the city nor more than half a century in the party have destroyed that psychology.

I have felt and still feel that agriculture does not tolerate sharp turns, it is very vulnerable. For it is built on use of plants and animals, the soil. In general, on the very close intercourse of man with nature. Any rough and incompetent intervention here has the most grave consequences. Consequences that will take decades to correct.

What has been the price of thorough collectivization and then the consolidation of farms and almost universal "sovkhozization"? Let us take certain "measures" in the life of our generation. Cutting back the personal subsidiary farming operation, fighting the planting of grass for feed, and elimination of plowland and "unpromising" villages. I have opposed such actions insofar as I was able. I received reproaches for that, and political labels were also pinned on me. I do not accept violence in any of its forms, nor incompetent approaches, the issuing of orders and universal campaigns. Just judge for yourself

what is "opportunistic compromise" (but with what?), and what is simply common sense, belief in the facts and objective analysis, attention and respect for human beings.

[Platoshkin] Our country is said to have its own national and historical peculiarities. Which means there is no point in our taking our model from the West. We need different strategies and approaches.

[Nikonov] Is it possible to mechanically carry over foreign experience to our own soil? Usually, this ends in failure. Unless local factors are scrupulously taken into account, nothing worthwhile will come of it. Our country is large and diverse. There will be room in it for private farmers, for cooperatives, and for kolkhozes and state farms that have been brought up-to-date. The right approaches can be found only if we take into account the data of science and show a disinterested appreciation for people's wishes, and a conscientious sociological survey should support that effort. So—science and democracy.

[Platoshkin] And still science does not intend to fix the time when our agriculture will finally negotiate the difficult passage and feed the country?

[Nikonov] It is difficult to fix dates on the calendar. What is more, there are a great number of factors involved. Let us take last year. A record harvest was grown. Is it the fault of agriculture that much of the output did not reach our table? We have become accustomed to letting our grain, potatoes, and apples rot and to spending gold, petroleum, gas, and timber to buy food abroad.

We need a radical land reform as the centerpiece of all the transformations in agriculture. Not sometime, but immediately. This very spring every citizen of the country who wants to work the land, who knows how, and who is able to do it must receive a plot of land for life which he can pass on to his heirs. Urgent measures to carry out that reform have been set forth in the recent ukase of USSR President M.S. Gorbachev.

Agriculture will soon feed the country if it does not tackle this job alone. If spokes, as the saying goes, are not put in the peasant's wheel.

### Land Reform Is Key

914B0071B Moscow SOVETSKAYA KULTURA  
in Russian No 2, 12 Jan 91 p 1

[Article by Aleksandr Nikonov, president of VASKhNIL: "Land of Our Anxiety"]

[Text] Aleksandr Nikonov, president of VASKhNIL, comments as follows on the ukase of the USSR president entitled "On Priority Tasks in Carrying Out the Land Reform":

The Law of the USSR Supreme Soviet on Land, adopted as far back as February of last year, and certain decrees and enactments of the union republics, are being carried

out very slowly. There are various reasons for this. They include inertia and the emergence of the interests of various social groups detrimental to the interests of the entire nation. This is the main thing that dictated the need for adoption of such a resolute document as the president's ukase.

Specialists know the state that the country's land stock is in at the present time. Yes, we do have an extremely rich stock of land—both in area and in the per capita supply and in the content of nutrients, but we have been losing that wealth for a long time now. Degradation, destruction, and erosion of the soil have been taking place. What is more, especially in recent years, they have been subjected to monstrous technogenic contamination and poisoning because of discharge of various toxic substances. Tens of millions of hectares of land have thus become unfit for use.

Land is a living natural organism which needs care, the watchful eye of an owner. And there will be order when an interested person is standing over every hectare and every field. And so universal nationalization and monopoly have had the result that the land does not have a real owner. That kind of depersonalization must come to an end.

Investments, as experience has shown, have proved to be ineffective. We need a real transition to a pluralistic economy. So that every person, every citizen who wants to work the land and is able to do so really has that opportunity. People have to be given the right of choice. During the Stalinist collectivization, this was trampled on, and we today do not have the right to repeat that mistake all over again. Let the peasant himself decide whether he will work individually on his own plot of land or a group of farms will come together to form a cooperative—the main thing is not to stand in the way of his choice.

As for the kolkhozes and sovkhozes, no one intends to tear them apart—people will not leave a good farm. But every one of them must seek up-to-date forms of carrying on their operations, they need democratization, better structures, and a transition to a system of management and production relations in which man feels himself to be a true owner.

But here is the question: Where is the land to come from?

The ukase states it clearly: A stock of land needs to be built up from land that is not being effectively utilized. And that means making an inventory of that land, finding it wherever it might be: on the kolkhoz, the sovkhoz, the leskhoz, and in various departments—regardless of to whom it belongs. After all, there are owners who, like dogs in the straw, not only do not use the land assigned to them, they sometimes even destroy it.

Up to now, the land issue has been hampered by such a multitude of bureaucratic instructions, laws, and sub-legal acts that it was simply impossible to climb over such a fence. That is why the ukase proposes speeding up

adoption of documents able to clear the way from the legal standpoint. That is the juridical aspect of the matter. But if the land is to be used sensibly, other problems have to be solved at the same time. The individual must have an opportunity to acquire building materials, fuel, and equipment, to obtain credit from the bank. It is equally important to create a favorable psychological atmosphere around people who decide to begin an independent peasant life. After all, the attitudes of the lumpen proletariat still predominate among us: green envy of anyone who performs well. It is no secret that fire has been set to private farms in many cases, and property spoiled. We will never get moving without goodwill and without helping one another.

The ukase must become a watershed document. The land reform cannot be postponed. Specific agencies are needed to carry it out. Just as was the case in the time of the Stolypin reform, and immediately after the revolution, when in November 1917 the land was given out to the peasants (to be sure, then it was taken away from them).

The land reform is the heart and soul of the radical, truly revolutionary transformations in the country. It must become the basis for creating a stable source of food. But that will not happen until the peasant has beside him a reliable partner who will take over the agricultural products produced, preserve them, put them in refrigerated storage, transport them wherever necessary, process them, and deliver them to the store. Only then will people feel real changes on store shelves and on their own table. These are all the links in the food complex which exist in any civilized country. And all of us today are making the first step in that direction.

#### **Kashtanov Interviewed on Impact of Land Reform**

914B0074A Moscow SELSKAYA ZHIZN in Russian  
15 Jan 91 p 2

[Interview with A.N. Kashtanov, Academician and Vice President of the All-Union Academy of Agricultural Sciences imeni V.I. Lenin, by a SELSKAYA ZHIZN correspondent: "Scientific Concept of the Land Reform"]

[Text] On 16 January, a special session of VASKhNIL [All-Union Academy of Agricultural Sciences imeni V.I. Lenin] will commence in the city of Kursk. This session will be devoted to the land reform and to agricultural development under the conditions imposed by a conversion over to market relationships and multi-faceted agriculture. In this regard, our correspondent asked the vice-president of VASKhNIL, Academician A.N. Kashtanov, for answers to several questions.

[Correspondent] Aleksandr Nikolayevich, what brought about the need for holding a scientific session and discussing the questions concerned with the impending land reform? Are not the various points of view regarding this reform rather vague? What are they?



[Kashtanov] This reform developed long ago in our country. The administrative-command methods of farming management, as well as that for agriculture as a whole, the monopoly of state ownership of the land, the uniformity of managerial forms, the alienation of peasants from the land and the lack of responsibility for the land produced a profound contradiction between the requirements for economic development in rural areas and our overall society. Thousands of villages became deserted, especially in central Russia, many farms operate on an unprofitable basis, there are food shortages and generally speaking the ecological conditions for normal agricultural management are being violated. A review must be undertaken of the land policies and the forms and methods for land ownership and land tenure and changes must be introduced into the system of agricultural management. The "Legislative Principles of the USSR and Union Republics Governing Land," as adopted by the USSR Supreme Soviet on 28 February 1990, are opening up vast opportunities for emerging from the crisis and improving the country's food situation.

The chief goal of the land reform—to revive land ownership, to eliminate irresponsibility, to halt the degradation of soil and to increase considerably the production of plant husbandry and animal husbandry products based upon more effective methods for managing the economy and raising the personal interest of workers. The land reform presupposes the implementation of a complex of economic, legal, social and ecological measures. There are no matters of secondary concern in this work and all of the "pros" and "cons" must be thoroughly weighed. Importance is attached to forming anew our multi-faceted agricultural production based upon variety and equality in the forms of ownership and in the methods of land management.

Actually, agriculture must be multi-faceted by its very nature. The exceptionally diverse nature of the natural, historical, demographic, national, production, ecological, technological and other conditions associated with its management in various regions of our country assumes a great variety of forms and methods for land management. A conversion over to them is directed towards creating equal economic conditions for managing the economy and for ensuring the efficient use of natural and production resources and the social development of kolkhozes, sovkhozes, cooperatives and peasant farms.

[Correspondent] Specifically, what are the concepts for the further development of our multi-faceted agriculture?

[Kashtanov] The initial premises of the new concept for its development, particularly farming, are as follows. During its preparation, consideration was given to the radically changing conditions in the rural areas, the developing multi-faceted nature of agriculture, the conversion over to the market, the conversion of peasants from hired workers over to land owners and also to the

new legal documents concerning ownership, land, enterprises, taxation and others. And there is still one other consideration: the need for sharply raising the production of food goods and improving its quality.

Compared to earlier when the development of zonal farming systems was carried out according to the administrative-command principle of "from the top downwards," that is, following the order of oblast—rayon—farm, in the future this work must be conducted according to the principle of "from the bottom upwards, that is, field (plot)—crop rotation plan—peasant farm—kolkhoz—sovkhoz—rayon—oblast.

[Correspondent] In this regard, what appear as the principal requirements for the farming systems?

[Kashtanov] First of all, they must ensure the production of adequate quantities of high quality products, with minimal expenditures of labor and resources. The chief task—grain production must be raised to 250 million tons by 1995 and to 285 million tons by the year 2005. In addition, feed production must be increased radically and its quality must be improved, taking into account the diverse technologies available for cultivating the various crops in conformity with the multi-faceted nature of the farms.

The plans also call for the mastering of resource-conserving technologies on an extensive scale, the moderate and strictly controlled use of chemical agents, the development of efficient and ecologically safe land reclamation methods, the extensive use of solar and wind energy and others. The program of studies also calls for the development by scientific institutes of systems (models) for farming management on small farms, at cooperatives and at kolkhozes and sovkhozes on an agro-landscape normative-technological basis. The priority trends in farming in the immediate future will include expanded reproduction in soil fertility, the status of soil from an ecological and biological standpoint and the production of ecologically pure products.

[Correspondent] What factors will serve to raise substantially the productivity of farming?

[Kashtanov] The chief concern at the present time is that of overcoming the crisis phenomena, reviving land ownership, eliminating land irresponsibility, halting the degradation of soils based upon the personal and economic interest of those who work the soil, providing them with freedom of selection and freedom of action and ensuring the availability of new varieties, fertilizer, technologies, plant protection agents and modern equipment, for which purpose science and the entire agricultural service should be made to operate in closer contact with the producer, following the creation in the rayons of scientific-technical centers, as has been done for example in the U.S.A., England and Finland.

[Correspondent] What type of transformation is called for in the development of kolkhozes, sovkhozes and associations?



[Kashtanov] An improvement in intra-farm structures, the democratization of administration and production based upon more improved organizational forms—work for which there is an immediate need. This is borne out by the experience of those leading collectives which have already commenced reforming intra-farm life. Here we have in mind the creation, at kolkhozes and sovkhozes, of cooperatives, leasing collectives, peasant farms and various types of associations.

[Correspondent] What mechanism will be employed for stimulating the interest of farms in taking advantage of scientific-technical achievements and what changes can be expected in the role played by agricultural specialists?

[Kashtanov] The plans call for the creation and placing in operation of an economic mechanism for raising farm interest in the use of scientific-technical developments, particularly in farming. Towards this end, the local soviets have proposed the creation of a special land improvement fund using rental payments for land and water and also other sources, including centralized budgetary allocations. This fund can be used for compensating the users of land, either fully or partially, for the cost of land improvement work completed, for the development of landscape contour-reclamative farming, for converting over to new varieties, to the technologies used for cultivating them and to biological plant protective methods and for the acquisition of new equipment.

In order to stimulate the use of capital investments for improving land areas, the plans call for a review of the question of converting over to special purpose crediting for land users based upon favorable conditions, including a reduction in the interest rate and the presentation of credits for longer periods and with repayment commencing during the third or fifth year following the completion of work. In order to raise their interest in improving soil fertility, the local soviets must be authorized to lower the amount of land tax to 10 percent in the face of an improvement in the control indices for fertility. Economic sanctions against those users of land who allow land to deteriorate and who fail to carry out soil protective and other measures aimed at improving soil fertility will be discussed during a VASKhNIL session.

[Correspondent] In accordance with the forecasts of scientists, what are the social aspects of the land reform?

[Kashtanov] The land reform touches upon practically all social layers among the country's population and affects the lives of many people. A new social group of peasants is gradually being formed in the rural areas, one that is managing its economy in an independent manner using farmer methods. Notwithstanding even the fact that initially they are few in number, they will constitute a serious factor in the social life in rural areas. Beyond any doubt, the formation of new farms will require state and republic programs for providing them with financial and material support and changes in the APK [agro-industrial complex] infrastructure.

It can be expected that a definite property stratification will occur for the peasantry, since material status under market conditions will be determined more and more by the results of economic activity.

In order to prevent or weaken possible negative consequences of the reform, a social monitoring service for studying and forecasting situations should be organized in the local soviets at the present time. This will make it possible to undertake timely legislative, economic and other measures for facilitating, for all layers of the population, the conversion over to the new system of relationships.

#### **Deputy Minister Discusses Role of Finances, Credit in APK**

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in Russian No 11, Nov 90 pp 44-54

[Article by V. Semenov, USSR deputy finance minister, doctor of economic sciences]

[Text] In the system of measures to restore the country's economy to health that have been envisaged by the USSR Supreme Soviet, particular attention is paid to normalizing the supply of food to the public, which is directly related to the agricultural sector of the economy—which is the source of the entire volume of foodstuffs going into state and cooperative trade. But recently the growth rates of production of agricultural products have dropped back considerably: to 2.6 percent in the 1984-1986 period and to 1.5 percent in the last three years. The volume of purchases of agricultural products is dropping, and planned deliveries of foodstuffs to the trade sector are not being made.

The unsatisfied demand of the public for foodstuffs is growing. Whereas in 1989 it was estimated at 40 billion rubles [R], in the current year, according to preliminary calculations, it will rise to R45 billion. The country is being drawn more and more into dependence on buying food abroad. Virtually one-fifth of the foodstuffs sold through state and cooperative trade is imported.

The absence of a flexible system for regulating supply and demand has resulted in serious disproportions in the level of purchase prices and retail prices and large subsidies to reimburse the difference between them. This has created the illusion that foodstuffs are inexpensive, while their production costs have been rising steadily.

The deterioration of the natural resource base, the low technical level of production, the substantial lag of the processing sector, low susceptibility to scientific-technical progress, and underdevelopment of the production-related and social infrastructures have become typical features of the agroindustrial complex. The numerous and varied decisions that have been made concerning the problems of agricultural development have not yielded the anticipated benefit. It has now become an objective necessity to work out new

approaches to financial and credit policy and nontraditional ways of conducting it on the basis of the Bases of the Legislation of the Union of SSR and the Union Republics on Land and Leasing and the laws on ownership, taxes, the enterprise, and the cooperative.

For a long time, financial and credit policy in the agroindustrial complex embodied the principles of actively increasing resources to finance capital investments and increase the supply of credits. Over the period 1965-1989, about R900 billion were invested in development of agriculture from all sources of financing, more than R650 billion of which were appropriations from the budget, and R635 billion, or two-thirds of all investments, were "own" resources and bank credits. When the purchase prices were increased in agriculture, profit, which has begun to be the principal source for financing outlays to expand production, increased and for all practical purposes replaced credit as a source of investments on kolkhozes and sovkhoses.

The very large resources which objectively have to be invested have been determined by the need to strengthen the material and technical base of agriculture, performance of a broad program of rural construction, land improvement, and other measures have not yielded the necessary return because of the low growth rates of the yields of agricultural crops and the low productivity of animals. The generation of capital per ruble of capital investments dropped from R1.72 in 1965 to 51 kopeks in 1989. The low susceptibility of agriculture to additional investments has been having a definite destabilizing influence on the country's economy. In working out the financial and credit mechanism of the APK in the context of the transition to a regulated market economy, we need to analyze the effort that has been made to improve the economic mechanism for economic operation in the agroindustrial complex, especially because it contains a great many both positive and negative aspects. A lack of thoroughness and haste have been evident in the amendment of decisions already taken, which had not been worked up in theory and had not been tested in practice.

As of 1 January 1989, all enterprises and organizations in the agroindustrial complex were converted to full cost accounting (*khozyaystvennyy raschet*) and self-financing. To ensure a growth of the production of agricultural products, differentiated supplements to purchase prices were established; this was offset by abolishing budget appropriations to finance capital investments, subsidies for agricultural equipment and fertilizer, for the set of operations involved with peat, etc. In the APK as a whole, earmarked budget financing decreased, and there was an increase in the value of differentiated supplements to purchase prices in supporting reproduction.

Appropriations for capital investments were maintained at practically the previous level, but excessive regulation of their use was abolished. In accordance with economic expediency, budget appropriations envisaged by the

agroproms of the union republics could be allotted to sovkhoses, processing enterprises, kolkhozes, and agroindustrial committees of the union republics, krais, and oblasts which are the customers ordering these operations and who independently determine how much irrigation and drainage construction is to be done and for what funds from various sources are to be used.

Simultaneously with those changes, budget financing of outlays to dig peat and apply it to the fields of kolkhozes and sovkhoses, the payment of subsidies for agricultural equipment and fertilizers, and reimbursement of insurance payments of sovkhoses and losses on management of housing and municipal services were cut back. Accordingly, budget appropriations for special-purpose measures were cut back by R25 billion, or 22 percent, while at the same time they were increased for the differentiated supplements to purchase prices by R32.2 billion.

The economic reform in the agroindustrial complex is aimed at expanding the rights of kolkhozes and sovkhoses in production and marketing and at motivating an increase in sales to the state. Purchase prices and differentiated supplements were the principal source of reproduction, comprising 28 percent of payments to kolkhozes and sovkhoses for agricultural production. There is evidence of this in profit, which increased from R27.4 billion in 1987 to R42 billion in 1988 and R49.4 billion in 1989.

Establishment of differentiated supplements to purchase prices, which unquestionably have played a constructive role in the economy of kolkhozes and sovkhoses, was given a mixed reaction. The need for agricultural equipment dropped off, and material and financial resources began to be used more optimally. Now, the more the kolkhoz or sovkhos sells its products, the greater the gains, and consequently the larger the profit, which is then used to solve problems in the farm's production and social development.

At the same time, there are also adverse aspects because the supplements were mostly attached to the products of animal husbandry for low-profit farms. As a practical matter, they replaced the budget appropriations allocated to develop production because they were applied to certain products in the amount of 200-300 percent and even 600-700 percent of the purchase prices. Accordingly, this created a high and altogether unjustified profitability in the production of meat and milk, which did not stimulate a drop in the costs of their production. At the same time, there was a redistribution of resources from the highly profitable farms to the low-profit farms and from certain regions to others, which upset the financial equilibrium that had come about and was reflected in the rates of expanded reproduction and of the need for bank credits.

In addition, there was a drop in the profitability of the products of cropping because of the unjustified rise of

wholesale prices of fertilizers and agricultural equipment, which in turn disrupted equivalency in relations between agriculture and industry.

The point is that before the transition to self-financing the difference between wholesale prices of industry and agriculture for agricultural machines and manufactured fertilizers was made up out of the budget and figured as follows (Table 1):

Table 1*		
	In Millions of Rubles	In %
Tractors and trailers	825	29.1
Agricultural machines	1,646	37.6
Machines for live-stock-raising farms	164	18.8
Trucks and trailers	122	12.2
Total	2,757	29.6
Manufactured fertilizers	2,447	48.0

\*Figures for 1987.

In and of itself, the principle of reimbursing the price difference of equipment had profound meaning: Kolkhozes and sovkhoses were supposed to use the machines and equipment more productively and thriftily because spare parts would be more expensive for the farm and would not be covered by a subsidy. But, however paradoxical it might seem, it all occurred the other way around in practice. It turned out to be more advantageous to buy new equipment than to do technical maintenance and current repairs and overhauls of existing machines and equipment. Quite often tractors and combines which had not worked their standard running life were cannibalized for spare parts. To some degree, this practice was favored by distribution by job order of the scarcest machines and equipment and administrative monitoring of their preservation.

It can thus be concluded, first, that elimination of preferential prices of agricultural equipment puts relations between producers and consumers of agricultural equipment on a firm economic foundation; second, the high prices of equipment motivate kolkhozes and sovkhoses to treat it more thriftily; third, the sale of equipment and spare parts for it at wholesale prices makes it economically sound to perform technical maintenance, current repairs, and major overhauls promptly; fourth, kolkhozes and sovkhoses have been entirely compensated the increase in the price of agricultural equipment through establishment of the differentiated supplements to purchase prices.

It would seem that elimination of dual prices of agricultural equipment has solved all the problems of better operation of machines and equipment and the problem of the consumer's influence on the producer. But the wholesale prices and differentiated supplements have led

to the occurrence of new problems that have stood in the way of overcoming the negative attitude toward full cost accounting and self-financing.

The new economic mechanism has in practical terms been erected on the old foundation of economic relations: plans for purchases and material and technical supply, the structure of purchase prices, credit financing, remuneration of labor, and material incentives. Administrative-command methods of management and the lack of zeal of many farms have not yet been overcome. After all, budget financing, redistribution of profit, and preferential credit financing fostered dependency.

Experience in the operation of kolkhozes and sovkhoses in the context of full cost accounting and self-financing has shown that differentiated supplements to purchase prices have intensified the economic inequality of farms. Elimination of reimbursement of the difference in prices of fertilizer and agricultural equipment placed the highly profitable farms in an unfavorable situation, and as a rule the differentiated supplements to purchase prices were not established for them. There was a certain redistribution of net income from some farms to others, which accentuated the inequality of conditions under which enterprises operated.

The higher prices of fertilizer and agricultural equipment and compensation of the price increase through differentiated supplements on the products of animal husbandry detracted from the motivation of kolkhozes and sovkhoses to produce the products of cropping. It became unprofitable for the farms to purchase fertilizers at the wholesale prices of industry. And the outcome of this extraordinary situation was establishment of supplements to purchase prices of grain crops paid for quality, accompanied by a rise in prices of mixed feeds, which even more upset the economic balance of agricultural enterprises. Now even managers of agroindustrial associations, kolkhozes, and sovkhoses began to talk about the lack of equivalence in exchange between agriculture and industry, "having forgotten" the additional investments in that sector through the differentiated supplements to the prices of products of animal husbandry.

In the transitional period, financial and credit policy in the agroindustrial complex, which is an integral part of the program for restoring to health the country's economy, envisages performance of a set of interrelated measures to stabilize the financial situation of enterprises and organizations and also to radically restructure their relations with union and republic budgets and with banking institutions.

The fundamental changes in financing the APK in that period should have taken the form of renunciation of petty interference with kolkhozes and sovkhoses, a strengthening of cost accounting and self-financing; performance of expanded reproduction from "own" resources, enhancement of the role of the union budget in developing the priority branches and social restructuring of rural areas; the restructuring of tax policy,

closer interaction between the budget and credit, creation of funds for guarantees and support of prices and stability of the economic condition of enterprises and organizations; and creation of a mechanism for reimbursing the price difference related to deliveries of agricultural products to consumers.

The reform of the financial system of the APK under the conditions of the regulated market consists of implementing the principle of full independence in use of cost-accounting income for consumption and accumulation and accountability for the end results of the activity of the farms, including fixed capital. During the transitional period, subsidies to farms operating at a loss and low profitability must be abolished, and responsibility must be strengthened for prompt repayment of bank loans.

Favorable conditions have to be created above all for kolkhozes, sovkhozes, processing and other enterprises in making the transition to a market economy. The attitude toward bank loans and purchase prices should be reviewed to that end.

In view of the seasonal nature of agricultural production, bank credits have great importance on kolkhozes and sovkhozes; they are used to cover seasonal outlays, to build up feed and other stocks, and also to build livestock quarters and to acquire equipment. But the uncontrolled granting of loans meant that suddenly credit-financed investments exceeded the growth rates of agricultural output. The volume of the gross output of agriculture grew 40 percent between 1970 and 1989, whereas credit-financed investments grew 2.3-fold. At the outset of 1990, credit-financed investments in the agroindustrial complex amounted to R231.4 billion. At the same time, extended debt reached R71 billion, R5 billion of which was to be repaid in 1990 and 1991. Of course, the burden of previous debt, formed both as a result of shortcomings in the performance of enterprises and the imperfect nature of the economic mechanism, on the one hand, and because of the formal approach to establishment of purchase prices on the other, was a brake in the transition to multiple forms of ownership in the APK. Accordingly, the decision was made to write

off in 1989 and 1990 the deferred debt of kolkhozes and sovkhozes under bank loan by increasing the domestic state debt.

But the mechanical write-off of the deferred debt of all kolkhozes and sovkhozes, independently of their financial condition and the causes that led to its creation, violates the principle of equal operating conditions for all farms. It has to be taken into account that an increase in appropriations to service the state debt had to be envisaged in the state budget in this connection. When the treaty on union is carried out, the state debt will be transferred to the union republics, which are the principal entities in a federation. Appropriations should be made in the budgets of the union republics to pay banks interest on the loan fund taken by the state to finance the economy.

Writing off the deferred debt of kolkhozes, sovkhozes, and processing enterprises created the initial conditions for their transition to a market economy. The profitability of agricultural production in 1989 represented 10.1 percent of fixed and working capital after deduction of payments into the budget, as against a rate of 6.6 percent in industry.

But if the process of reproduction is to be fully supported, there have to be scientifically substantiated purchase prices established so as to take into account reimbursement of costs in zones of large-scale production of the product. What is more, the reform of wholesale prices of industrial products should review the purchase prices of agricultural products.

Higher deductions for social security, interest on bank credits, and higher prices resulting from the previous rise in wholesale prices of industrial products and freight shipping rates were taken into account in the new purchase prices, which were worked out on the basis of present payments for agricultural products and budget subsidies to cover production costs. Another R114.5, amounting to 97.4 percent, were added to payments at purchase prices for agricultural products sold to the state in 1990, amounting to R117 billion. The changes in payments for agricultural products are shown in Table 2.

Table 2

	Billions of Rubles	Breakdown, in %	
		Relative to Total Price Increase and Supplemental Appropriations	Relative to Final Payments for Products
Payments for agricultural products at list purchase prices	117.0	50.5	71.7
Supplements to purchase prices for exceeding previous level of average annual sales in 11th FYP	12.9	5.6	7.9
Differentiated supplements to purchase prices	33.3	14.4	20.4
Total payments for products	163.2	70.5	100.0
Compensation of higher costs of:			
Increased social insurance deductions	15.0	6.6	9.2

Table 2 (Continued)

		Breakdown, in %	
Introduction of water charge	1.9	0.8	1.2
Higher unit rates for services	1.5	0.6	0.9
Higher rates for freight shipments handled by republics	1.4	0.6	0.9
Increased cost of building materials, whose prices are set by republics	0.8	0.3	0.5
Increased cost of mixed feed not compensated in 1989	1.1	0.5	0.7
Higher interest on credit	5.8	2.5	3.6
Higher wholesale prices and rates that was centrally administered	33.3	14.4	20.4
Total cost increase	60.8	26.3	37.2
Additional appropriations from budget to stimulate production of grain, raw cotton, sugar beets, and long-fiber flax	7.5	3.2	4.6
Total increased cost and additional appropriations	231.5	100.0	41.8
Breakdown:			
For purchase prices	215.1	92.9	—
For special-purpose financing of kolkhozes, sovkhozes, and other agricultural enterprises confronting particularly problematical natural and economic conditions	16.4	7.1	—

When the new prices were worked out, particular attention was paid to stimulating the production of grain in order to eliminate the dependence on imports. On the basis of the actual expenditures of the state to purchase grain, its average cost was determined at R195 per ton, but when purchases of imported grain and the rise of wholesale prices and service rates were taken into account, it was R247. When priority was given to the production of grain, purchase prices of grain were raised and amounted on the average to R301 per ton, including R380 for food grain and R216 for feed grain. For that, prices for soft wheat, barley, and oats were differentiated for the three zones of large-scale production. As for hard and vigorous wheat, rye, corn, rice, buckwheat, millet, peas and beans, and oilseed crops, the uniform prices throughout the country were set for them, with the exception of sunflowers, for which prices were adopted in two zones. Higher prices, reflecting actual production costs, were introduced for rice, buckwheat, oats, and corn grown without using pesticides and intended for the manufacture of baby food and dietetic food. The prices of cattle, sheep, and swine were differentiated by five zones and the prices of milk by 4-5. Uniform prices were established for poultry and silkworm cocoons.

At the new purchase prices, the profitability of production of agricultural products is projected at 38.4 percent, as against 40.2 percent in 1989. The drop in profitability is the result of the R16.4 billion which instead of being paid for agricultural products will be committed to special-purpose financing of kolkhozes and sovkhozes and other agricultural enterprises facing particularly problematical natural and economic conditions. At the same time, the

profitability of the production of products of cropping is 66 percent, while for animal husbandry it is 28 percent. The figures in Table 3 indicate the changes in profitability of production of particular products (in percentages of the production cost).

Table 3

	In %	
	Actual	Calculated Using New Prices
Grain	81.3	122.1
Sunflowers	272.6	211.4
Raw cotton	48.0	58.5
Sugar beets	34.0	40.9
Milk	62.3	39.8
Cattle	21.5	21.3
Swine	23.3	21.0
Poultry	11.1	17.6

The purchase prices of grain crops and tobacco and also of cattle, swine, sheep, and poultry were introduced in 1990. Kolkhozes and sovkhozes will receive an additional R9 billion approximately for the planned volume of output of grain and R600 million for tobacco.

The new purchase prices of agricultural products are motivating kolkhozes and sovkhozes to specialize in their production, to increase sales of their products, especially in the large-scale farming zones. It is inevitable here that an economically sound redistribution of



income take place from some farms to others according to the level at which farming is done and use of the available production potential and other factors generating income.

Thus, in the context of the transition to a market economy the new purchase prices are bringing about a redistribution of subsidies to agriculture among particular products and also among farms. Later, in subsequent stages of intensification of the market system, the problem will inevitably arise of a drop in the production cost of agricultural products and consequently of purchase prices and new approaches to financing the APK.

Radical changes in the financing of agriculture must above all be reflected in a departure from petty interference with kolkhozes and sovkhozes and in a transition to economic methods of management so as to take into account the needs of the state for a growth of agricultural output. The state must have in its hands capital investments as a powerful instrument for development of agriculture. That is why it is advisable to preserve in coming years centralized capital investments financed from the state budget.

In 1990, R13.3 billion were allocated from the budget for these purposes. In addition, when the purchase prices for 1991 were set, R16.4 billion were committed to the special-purpose financing of kolkhozes, sovkhozes, and other agricultural enterprises facing particularly problematical natural and economic conditions.

In connection with these large amounts being allocated for special-purpose financing, an urgent effort must be made toward their most efficient use, above all to increase the production of agricultural products. These funds may be allocated to kolkhozes, sovkhozes, and other agricultural enterprises to build particular projects that have intersector importance and are outside the

range of interests of the particular farm, and also to finance target programs, for example, such programs as "Grain," in which provision must be made to increase the production of grain crops in zones subject to drought or other adverse weather conditions. In the program "Animal Husbandry," budget appropriations should be committed to the formation of new farms, construction of livestock quarters, animal feed production, and acquisition of livestock by economically weak kolkhozes and sovkhozes, and in the program "Potatoes"—for the acquisition of equipment and construction of warehouses and potato storage facilities.

The effectiveness of budget financing can be achieved only if these programs are carried out on a shared basis so as to take into account budget appropriations and the farm's resources. At the same time, kolkhozes and sovkhozes will be more motivated to use the capital investments and material and technical resources allocated by the state in the most optimum way.

Budget financing achieves its purpose when appropriations are made for a future increase in sales of agricultural products to the state, including those made for road construction and financing the infrastructure: for example, installation of gas and telephone service and for kindergartens and day nurseries. In these cases, the parties are more accountable to one another for the use of budget appropriations.

Concentration in the budget of a sizable portion of appropriations to finance target programs will make it possible for the state to put pressure both for the development of particular regions and also for an increase in the production of products indispensable to society. Moreover, in the first stage of market relations, appropriations must be retained for development of agriculture, even though there will be an essential change in the commitment of budget appropriations (Table 4).

Table 4

	In Billions of Rubles				
	1987	1988	1989	1990 (Planned)	1991 (Calculated)
Appropriations for APK from budget	102.8	113.3	108.5	116.5	182.6
Breakdown:					
Capital investments	16.2	15.5	14.0	13.3	13.3
Special-purpose financing of kolkhozes and sovkhozes	3.3	3.1	2.1	0.9	17.5
Operational and other expenses	8.5	8.2	6.2	7.4	4.9
Reimbursement of price difference for agricultural equipment and fertilizer	5.8	1.8	—	—	—
Supplements to purchase prices of agricultural products paid to kolkhozes and sovkhozes operating at low profitability	10.9	1.8	—	—	—
Subsidy for agricultural products	58.1	82.9	87.2	95.0	146.9
Breakdown:					
Differentiated supplements to purchase prices	—	25.3	32.2	33.1	—
Reimbursement of difference in prices at which agricultural products are purchased	58.1	57.6	55.0	61.9	146.9



The transition to market relations must also make provision for a new approach to financing nationwide measures to protect the population and animals from disease. That is why the so-called operating costs (combating plant pests and animal diseases) can be reduced only with respect to those measures which will in future be paid for: for example, water use. But this does not mean that agriculture will suffer losses from the change in the system for financing particular measures, because this was reflected in the purchase prices.

Improvement of the financial mechanism in the context of the development of market relations must be supplemented by radical changes in the credit financing of

agriculture and processing enterprises by means of raising interest rates on loans (from a range of 0.75-1.5 percent to a range of 6-9 percent and a subsequent increase). There will be an essential drop in credit-financed investments to build up stocks of feed, seed, and other merchandise and supply inventories, and they will be replaced by internal sources of financing.

Given the limited nature of credit resources borrowed to cover the deficit in the state budget and the rise of profit, there has been a trend toward reduction of credit-financed investments in agriculture. Consequently, enterprises and organizations of the APK now have less outstanding debt based on bank loans (Table 5).

Table 5

	In Billions of Rubles		
	1987	1988	1989
Debt of kolkhozes, sovkhoses, and processing enterprises based on short-term loans:			
At beginning of year	181.4	180.6	162.9
At end of year	180.6	162.9	150.0
Change in debt during year:			
Absolute amount	0.8	17.7	12.9
Percentage	0.4	9.8	7.9
Long-term loans issued to kolkhozes, sovkhoses, and processing enterprises during year	6.3	6.6	5.7

In the context of the transition to a regulated market economy, contractual relations of agricultural enterprises with branches of Agroprombank, a joint stock company created on the basis of the specialized USSR Agroprombank, will play a decisive role in furnishing money resources to support the process of reproduction. Its commercial orientation precludes intervention into banking activity by government bodies issuing directives. Only the branches of the bank can grant extensions on loans issued earlier. If policy-making bodies establish benefits in the credit financing of agricultural enterprises, the bank must be reimbursed its losses out of the budget.

Accordingly, the need arises to create a contingency fund from union and republic budgets to extend aid to agricultural enterprises.

Finally, the right of procurement organizations to grant kolkhozes and sovkhoses advances at preferential interest rates when they are purchasing products must be used on a broader scale.

Tax policy, which is used to meet the requirements of the entire society for defense, science, social purposes, administration, and measures for the social welfare of the population, must have decisive importance in the development of agricultural production along with budget financing and credit financing. The main thing is not only the amount of tax revenues collected by the state, but also how much is returned to taxpayers. In this context, taxes must ensure motivation of producers to

increase sales of agricultural products and to raise the profitability of production. The Law on Taxation of Income transfers the amount of tax collected from kolkhozes and sovkhoses to the purview of the republics.

At the present time, kolkhozes and sovkhoses are making payments into the budget on the basis of production potential, which includes the quality of the land, fixed capital, and labor resources. Here, the payments amount to only 2 percent of the total amount of profit, instead of the 49 percent paid by industry.

Low taxes on the one hand extend certain guarantees to kolkhozes and sovkhoses for expansion of production using their own resources, but on the other they do not stimulate a growth of production of agricultural products. Under that law, industrial enterprises will pay 45 percent of profit into the budget. Of course, that scale of taxation for agriculture would cause the process of reproduction to break down. It would seem that taxes must be established by the republics for kolkhozes and sovkhoses on the basis of the total amount of payments out of profit in 1990 as a function of the level of profitability of the particular farms.

The charge for land and rent payments, which must be sufficiently high to drain off a part of the income formed on kolkhozes and sovkhoses farming under better conditions, may have an essential importance in deductions paid into the budget. The introduction of rent payments is also dictated by the adoption of purchase prices of agricultural products by zones of large-scale production.

The uniform prices of agricultural products predetermine establishment of the charge for land as a function of its quality. Calculations show that rent payments must be established at the level of R30-35 billion. But this will signify an immense process of redistribution for which the economy has still not been prepared. Accordingly, the charge for land must be established over several periods so that the final transition to rent payments is completed by the period 2000-2005.

In the first stage, it need go no further than the fund for special-purpose financing of kolkhozes and sovkhozes (R16.4 billion) facing particularly problematical natural and economic conditions, which actually was created on a centralized basis in the form of rent charges. This fund was formed by reducing payments for products to all farms.

But the new purchase prices will complicate relations between processing enterprises and the budget because the size of subsidies to reimburse the difference between purchase prices and retail (calculated) prices will also increase sharply. There is a need here to augment appropriations to reimburse the price difference for cotton, wool, and raw hides in the amount of R59.9 billion. The point is that agricultural products go to the final consumer—to the retail network that deals directly with the public. As a consequence, some products of light industry are produced at a loss (cotton and linen fabrics). This will bring about a review of retail prices or an increase in the subsidy to reimburse losses in the sale of those products.

In the stage of purchases of agricultural products, procurement and processing enterprises are paid reimbursement from the budget for the difference between the purchase prices and retail prices. Their profit is in practice formed from budget appropriations (Table 6).

Table 6

	In Billions of Rubles						
	1960	1965	1970	1975	1980	1985	1990 (Planned)
Appropriations from budget to reimburse difference between purchase prices and calculated (retail) prices of following products:							
Meat and poultry	1.4	2.8	8.8	12.2	14.0	26.6	48.0
Fish	0.1	0.2	0.2	0.2	0.2	2.1	3.1
Milk	—	—	2.1	4.0	7.5	18.9	31.0
Grain	—	0.3	0.8	0.6	0.8	4.4	7.3
Potatoes and vegetables	—	—	0.2	0.7	1.4	3.0	4.4
Sugar	—	—	—	—	—	1.0	2.1
Total	1.5	3.2	12.1	19.7	23.9	56.0	95.9
Share of appropriations in expenditures from state budget, in %	2.1	3.2	7.68	9.2	8.1	14.5	18.0

Subsidies to purchase agricultural products comprise a large share of the USSR State Budget; they have reached almost R96 billion, or 18 percent of all expenditures, as against R1.5 billion, or 2.1 percent, in 1960.

Counterflows of money resources resulting from the subsidies and payments into the budget disrupt the economic relations of processing enterprises with the budget and with the bank. This creates the appearance that agricultural products are inexpensive, when there is a shortage of them, and when social inequality is being engendered.

Improvement of economic relations in the agroindustrial complex requires putting orders in wholesale, purchase, and retail prices. Because calculations for products to be delivered to nationwide and republic funds envisage sales at wholesale (purchase) prices, the subsidy for these products needs to be calculated in the budgets of union republics and oblasts which receive it and in the case of special consumers, provision should be made in the

union budget. All of this enhances the responsibility both of product suppliers and also of product purchasers.

The rise in purchase prices also caused an increase in payments to the public for livestock and milk they sold to the state. At the same time, prices also rose on kolkhoz markets. Great difficulties with purchases and product sales are also coming to a head in the consumer cooperative, which is purchasing products from individuals, kolkhozes, and sovkhozes at negotiated prices and selling them to food service enterprises at those same prices.

Centralized prices in agriculture, as market relations develop in the future, must be established only for products going into nationwide and republic funds by way of redistribution among the union republics. Republics, krais, and oblasts, then, can independently set prices of agricultural products consumed within their borders. Here, appropriations to reimburse the price difference envisaged in the budgets of the union republics should be the basis for establishing purchase prices and also retail prices. The transition to a regulated

market economy presupposes more flexible combination of budget financing with credit financing as well as with purchase prices.

In the establishment of purchase prices, the cost-basis principle should be abandoned. New prices are adopted so as to take into account reimbursement of all production costs and the necessary profitability. At the same time, attention is not paid to the low yield of agricultural crops, overconsumption of feed, nor product losses during cultivation, harvesting, and storage.

The high costs of agricultural products and unproductive losses make it necessary that purchase prices be established with the purpose of reducing the cost of the

product produced. The amounts made available in this connection should be left in agriculture for special-purpose financing of measures to develop particular products and to develop the facilities of kolkhozes and sovkhozes. This procedure of combining prices and budget appropriations strengthens the impact of financial and credit instruments on agricultural development and eliminates dependency, which was generated by the long practice of subsidizing agriculture with bank credits and budget appropriations, and it will bring about equally strenuous opportunities for all kolkhozes and sovkhozes whose conditions for production are unequal.

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## POLICY, ORGANIZATION

### Commentary on 'Economic Sabotage' Decree

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in Russian 30 Jan 91 p 1

[Commentary by Aleksandr Krotkov: "It Depends on What You Consider Economic Sabotage"]

[Text] Once again, the newspapers which call themselves left made a fuss regarding the advent of a dictatorship in our country. This time, the decree "On Measures To Ensure Combating Economic Sabotage and Other Crimes in the Economic Sphere," signed by the USSR president on 6 January, was the pretext. What kind of logic do the opponents of this document use?

They explain that economic sabotage means intentionally harming the economy of a country for political purposes. Owners who hold back their merchandise because selling it is not particularly profitable for now may be classified as saboteurs. Perhaps, they do exacerbate the shortage of goods on store shelves in this manner. However, it is not their malicious intent that is the main reason for the shortage but rather market-price trends and the unwise economic policy of the government which, instead of encouraging the expanded production of goods and brisk trade by economic arrangements, does the opposite, making "us sinners" the "fall guys."

Well, these apprehensions are justified if we look at the decree from this particular angle. However, let us read the text of the document itself attentively. Indeed, it grants major powers to the organs of internal affairs and state security. They may enter without hindrance the compounds of virtually all enterprises, inspect them and take samples of products even without the participation of the owner (if the latter refuses to take part in the inspection), obtain all the necessary documents, compare "registered" assets with those "in evidence," and give official warnings...

However, where does it say that the very fact that storage facilities are overflowing has now been declared a crime even if all the goods are registered on official stock lists? There are no such words in the decree!

This has to do with something else: things of which there is no mention whatsoever in all official documents are by and large being stored in warehouses and stock rooms and on railway sidings. These stolen or fenced goods, some of them of criminally poor quality but with a catchy label, should be subject to confiscation under all the laws **already** in effect. However, it is very difficult for the representatives of law-enforcement organs to get to these goods: Mafia speculators immediately scream for the entire country to hear that their sovereign rights as owners are violated and that they need to maintain commercial secrecy, i.e., keep silent about where they have procured their "merchandise."

On occasion, they hold back "for their people" goods in short supply which, judging by all documents, should reach low-income individuals.

At present, a majority of the population of the country, you and I, suffer from this economic permissiveness with regard to "shadow operators." The new decree is called upon to promote the defense of our vital interests.

It is another matter that it may indeed be misinterpreted by some overzealous and economically illiterate guardians of the law. In conjunction with this, it is extremely important to map out the scope of their powers in executive documents to be adopted on the basis of the decree, as well as to confirm once again the right of owners and labor collectives not to operate at a loss and not to sell for peanuts what they have labored hard to create.

Alas, at present the employees of many industries are forced to work precisely in this manner, for example, coal miners, textile workers, newspapermen, and others. Wholesale prices for the raw materials they purchase have been increased sharply, whereas retail prices for finished products have remained the same or almost the same. No **administrative** measures for combating such "sabotage" will be successful. Our hope is that they will never be used.

### Cotton Price Increase Adversely Affects Textile Industry

914D0128A Moscow *SOVETSKAYA ROSSIYA*  
in Russian 22 Jan 91 First Edition p 2

[Article by L. Gladysheva: "The Factories Will be Stopped Tomorrow—An Urgent Report By Our Own Correspondent"]

[Text] Truck trailers loaded with containers of calico, satin and other Ivanovo fabrics continually leave all the oblast's factories and combines for the Rostekstiltorg [Republic Office for Wholesale Trade in Textiles of the RSFSR Ministry of Trade] distribution center. From there they are dispatched to 5,000 addressees in all parts of the country.

But these January days the usually hectic life at the loading docks and rail spurs has been frozen.

What has happened? Why is it that millions of meters of fabrics that are in severely short supply arrive daily at the center but not even hundreds of meters leave there? Clogged warehouses are loaded with goods, and textile enterprises not only of Ivanovo but of the whole country, which work at a strenuous pace, are choked with their own output.

And meanwhile even Ivanovo stores gape in emptiness. It is incredible but it is a fact: trade organizations and garment-factory workers are refusing fabrics while the consumers' market starves. Only 60 out of 5,000 customers of the Rostekstiltorg center agreed, in answer to

an urgent dispatch from Ivanovo, to buy calico at the proposed new accounting price of three rubles per meter or more.

On 1 January of this year a new price list for cotton, the purchase price of which has risen threefold, was approved by the country's government. As is known, the rates for other materials, raw and otherwise, have risen, they rose even earlier for fuel and power, and the turnover tax and other charges have risen.

But in so doing, no one has approved the new prices for fabric. And neither a mechanism for reimbursing the costs of producing cloth under the old price list nor any alternative for it—free prices—has been proposed. The textilemakers of the Moscow concern Tekstil, of Ivteksa, and of associations of Vladimir, Tversk and other Russian oblasts have been placed in a difficult position. Under these circumstances, the collectives that operated steadily up until the last day became completely bankrupt in mere days. Calculations have indicated that, because of the disparity between wholesale and accounting prices in the one oblast of Ivanovo alone, textile and light-industry enterprises suffered losses of R200 million in January. Enterprises paralyzed by this disparity began to operate on the basis of their warehouse stocks.

Only on 8 January did the USSR Council of Ministers adopt Ruling No. 17, which decided to retain in January the procedure for reimbursing the difference between wholesale and accounting prices for raw materials and the excess of wholesale prices over retail prices for finished light-industry output. This ruling gave the USSR Ministry of Finance and USSR Gosbank a five-day period in which to set a procedure for reimbursement of the indicated difference. The period, as we can see, has expired, and the telephone lines from the field to the center are bursting with questions, but no one can give a clear answer—what is to be done, who will be paid compensation—the buyer (the public, that is) or the working collective. It was proposed that the governments of the Union republics search for reimbursement sources in their own budgets.

The impending market first of all went for the throat of the textile industry, the only branch that operated steadily until the last day. It is sufficient to recall that just by the middle of last year, Ivanovo textilemakers, having invested in better raw and other materials and in more expensive technology for producing better-quality commodities, lost 40 millions of profit because of the ordered abolition of the price index for new things—they saved kopecks but lost millions. To what extent is it possible to deceive the branch that is the most forbearing, the most hardworking, and the most advantageous for the state and for the people?

The USSR Council of Ministers ruling was adopted for January. January is waning. The RSFSR Council of Ministers is still silent. Right now the hours and days are going by. Perhaps Rostekstiltorg wholesale enterprises,

clogging up the remaining unoccupied warehouses with fabrics, will hold out for a few more days. Perhaps there will be enough finished goods for the enterprises to fill up their small storage premises and production departments for a few days, and then there will be a complete stoppage of the enterprises....

In the difficult situation that has been created, people's deputies of the RSFSR and USSR—textile workers—have sent an urgent telegram to the republic council of ministers, asking that it make an evaluation of what is happening and make an immediate decision. No answer to the telegram came. Called to the Council of Ministers of Russia, Ivteksa vice president Ye. Sokolov returned from the capital with empty hands and a desire to operate as before. But it is clear to all that light-industry enterprises are no longer able to operate as before in the face of rising prices for raw materials. The Ivanovo Oblast Council, after having appealed to Moscow, stood on its right to itself seek a way out of the situation that has been created, in case the government does not make decisions. The enterprises, having lost faith that someone will protect their socio-economic interests, have now been compelled to start production under new accounting prices. The purchasers are first of all paying the calico clothmakers three times as much, without having received yet any kind of compensation under the conversion to the market.

#### **Raw Material Costs Affect Altay Industries**

914D0129A Moscow IZVESTIYA in Russian 23 Jan 91  
Union Edition p 1

[Article by M. Kurgalina and commentary by I. Zhagel: "Price Scissors. How They Have Clipped Incentives To Work for the Consumer"]

[Text] Barnaul—In several days, previously quite profitable poultry farms of Altay Kray will go bankrupt, despite working as they used to. Nothing will have changed, except wholesale prices for raw and other materials and services.

As is known, on 29 December the government of Russia resolved to introduce new wholesale prices that are considerably higher than old prices, effective 1 January 1991. However, retail prices remained unchanged and the outlays of enterprises producing consumer goods are now rapidly taking a bite out of profits. Under the circumstances, the poultry farms are still shipping products to trade outlets, whereas, for example, the Biysk Tobacco Factory has preferred to produce "for storage" in the first weeks of the year, and the Barnaul Brewery has shut down altogether.

Conspicuous gaps have formed in the consumer market of the kray, which is impoverished to begin with; the local populace and the trade unions immediately responded to this by angry appeals to the local soviets. The others could as well turn out themselves in God knows which square, and appeal... to the Union and republic governments that are dangerously delaying the



following decision: Will enterprises recoup their outlays by taking money from customers, i.e., by raising retail prices, or will they be compensated from the budget?

For now, the local soviets are drawing all the fire of criticism themselves, extinguishing discontent, and averting yet more "rebellions" by emergency measures. For example, the presidium and the executive committee of the kray soviet have resolved that tobacco goods and eggs will be sold at old prices in January, and enterprise losses will be made up from the kray budget. However, this is for one month and for a limited set of products only. Meanwhile, enterprises producing everything else continue to be "up in the air."

**Our commentary:** The situation that has emerged in Altay Kray is characteristic of other areas of the country as well. Reports about the difficult financial situations of enterprises in conjunction with the introduction of new wholesale prices and the preservation of previous retail prices have also come from Ivanovo, Belgorod, and Saratov Oblasts. This problem is the most acute for collectives producing consumer goods: It is specifically in this sphere that the state regulation of prices is performed most severely, and the gap between wholesale and retail prices has become the greatest.

How is the government of the country going to overcome this complex situation? We approached First Deputy Chairman of the USSR State Committee for Prices A. Komin with this question.

He said that a rapid and extensive reform of retail prices is needed at present. Actually it has already been prepared. However, A. Komin could not provide the specific timing of its implementation, citing the fact that the issue should be ultimately resolved by the Federation Council.

Certainly, he added, the new retail prices will hardly make a majority of the shoppers happy. However, hesitation on this issue may only sharply exacerbate the situation in the economy. This is why all republics should act in a very prompt and coordinated manner.

All of this is true. At present, preserving the old retail prices may hardly be considered a humane act because it undermines enterprise finances and robs the people manufacturing consumer goods of the means of support. If we want to support the socially unprotected strata of the population, subsidies should be given directly to them rather than to enterprises, which causes raw and other materials and fuel and energy resources to be squandered.

One more point. Having said "a," we should also say "b." A one-time price increase should also be accompanied by relinquishing all the command administrative control of most prices. Otherwise, distortions will develop in this sphere within several months that will hamper the development of the economy, cause new social upheaval, and require new sacrifices in the course of transition to a market economy.

### Sales of Renovated Apartments in Moscow Rayon

914D0134B Moscow IZVESTIYA in Russian 31 Jan 91  
Union Edition p 6

[Article by S. Dvigantsev: "Having Fixed Houses and Apartments, Krasnaya Presnya Is Selling Them"]

[Text] **The Krasnopresnenskiy Rayon Soviet of People's Deputies in Moscow, which is known for proclaiming its right to the airspace over its territory, has taken a firm common-sense position. It has become the first capital city rayon to actually begin creating a market stock of housing with the consent of the Moscow Soviet.**

Chairman of the Soviet Aleksandr Krasnov said:

"The 'Most' [Bridge] joint enterprise approached us with a suggestion to renovate dilapidated residential buildings in the rayon. We should say that Krasnaya Presnya has several hundred such buildings, and thousands of people live in them, or rather suffer through this kind of life. Some buildings have not been renovated since the post-war period. The buildings are one-half to two-thirds empty: many families have already received other apartments after being on the waiting lists for a long time. We decided to begin our joint experiment in two buildings on Sadovo-Kudrinskaya Street and Yuzhinskiy Lane. These buildings were built in the late 19th and early 20th century. Renovating them is a small job, and the construction enterprises of Moscow would not do it. What did our rayon soviet find attractive about the proposal of the Most joint enterprise? Our partners undertook to erect a new building for the rayon to compensate it for housing required to resettle residents from the two old buildings. Seventy percent of the renovated apartments will be sold to the rayon, and 20 percent of the profits from the sale of apartments and the operation of the buildings will be given to the Krasnopresnenskiy Soviet Executive Committee."

The Moscow Soviet Executive Committee also has its share—10 percent. Therefore, residents of the rayon will receive apartments with amenities as their personal property, and the rayon soviet will reimburse them for the difference between the commercial and the cost-estimate value of housing.

Therefore, the interests of the residents and of the rayon authorities have been taken into account. What is the advantage for the joint enterprise? Boris Frolov, chief engineer of the Most joint enterprise, answered this question from an IZVESTIYA correspondent:

"We purchase virtually semi-destroyed buildings which nobody wants to work on. We invest our money, labor, and materials in restoring them, and sell them at commercial prices. We economize on our costs for the work—we do not have to feed hangers-on from numerous apparatus infrastructures who still leech off the state construction sector. We sell superior-quality housing to the rayon at commercial prices, and generate profits. In addition, we become owners of 30 percent of

the apartments, and we are free to dispose of them. We will make the ground floor into offices and rent them. There are plans to add one floor to the building on Yuzhinskiy Lane (without changing its overall architectural concept); extra premises will also bring profits to a thrifty master. This is, perhaps, the main point: The buildings will have real masters rather than indifferent 'housing stock managers.' The renovation of two houses in Krasnaya Presnya is just the beginning of a large program. We are prepared to work on the entire rayon if only they do not interfere with us..."

Alas, there are obstacles—bureaucratic delays augmented by pseudo-democratic ambitions. Both the city and rayon authorities have already made their decisions, but Pshennov, chairman of the Rayon Executive Committee, still does not wish to sign the buildings over to the balance sheet of the joint enterprise. We may surmise that he is in no great hurry. His is a comfortable apartment, not part of the "dilapidated housing stock" which energetic and enterprising people have undertaken to turn into normal housing.

## FOOD PROCESSING, DISTRIBUTION

### Extent of Price Increase Problems in Altay Region Examined

914D0131A Moscow SOVETSKAYA ROSSIYA  
in Russian 23 Jan 91 First Edition p 1

[Article by B. Prokhorov, correspondent, Barnaul: "Prior To Bankruptcy"]

[Text] SOVETSKAYA ROSSIYA recently published a report in which it was stated that the Presidium of the Altay Kray Soviet and the krayispolkom [kray executive committee] had addressed an appeal to the president of the country and to the chairman of the RSFSR Supreme Soviet. An extremely complicated situation has developed in the region as a result of a lack of balance in the price formation system. Such an appeal was received by oblast and kray soviets from Krasnoyarsk to Tyumen and the Altay region—11 administrative territories joined together by the "Siberian Agreement on Mutual Collaboration and Support."

Several decisive comments and conclusions were expressed in this appeal: "In some areas it will be necessary to undertake extreme temporary measures aimed at stabilizing the economy and regulating prices, using local financial resources to the detriment of many programs. The republic's government is refraining from solving urgent problems and frequently it shifts the burden of this work over to the local organs of administration. In the case of some problems, hasty instructions are being handed down which are not always coordinated one with the other."

I asked V.S. Germanenko, 1st deputy chairman of the Altay krayispolkom, to comment upon this statute of the document.

"Following New Year's Day," stated Vladimir Sergeyevich, "the government of the republic introduced new purchase prices for agricultural products (it bears mentioning that they had already been raised on 15 September of last year) and wholesale prices for products of a technical-production nature—metal, tractors and equipment—and by an average factor of 1.6. But the retail prices remained without change. Here then was the problem. The average cost to a plant for a long loaf of bread is 34 kopecks and we purchase it for 36. The bread-baking plant realizes a profit of two kopecks. But since the prices for electric power and fuel have risen sharply and amortization deductions have increased, a long loaf of bread now costs a plant 72 kopecks. And yet we continue to purchase it for 36. The plant representatives came to us on the very first day: we will not supply bread, meat, milk, groats, macaroni, eggs, beer or other products at the old prices—we will suffer losses."

This then is the problem that has descended upon us. We are aware that the Presidium of the republic's Council of Ministers met on 4 January and yet we have not received any encouraging news. Rather, the government generally remained silent throughout the first 10 days of January.

The wholesale price for tobacco products exceeded the retail price by twofold. Over the course of a year's time, the difference between both prices amounted to almost 24 million rubles. In January the tobacco factory asked us for one million rubles. We gave a million after increasing the kray's budgetary deficit. Two million were allocated for the sale of eggs. The situation was such that, owing to these three items alone, the budgetary deficit jumped by eight million rubles—thus we had to dip into the scanty pocket reserved for public health, schools, kindergartens and culture.

What next?

Next? As the saying goes, the question could be an easier one. In the future, everything will depend, in my opinion, upon which government—union or republic—will be so bold as to raise the retail prices.

Late yesterday evening, the correspondent's station of SOVETSKAYA ROSSIYA received a phone call from Alekseyev, a worker at the "50 Let SSSR" [50th Anniversary of the USSR] Plant and deputy to the local soviet. During a plant meeting, the workers unanimously voted for a uniform price to be established for meat throughout the kray.

It is quite true that this represented the opinion of many individuals. Over a period of just two days, the krayispolkom received approximately 100 letters. Two of them were very emotional and sharply critical. The remaining letters were characterized by serious concern over the situation that had been created and they contained constructive proposals, in particular, for the establishment of a uniform price.

Is the Krayispolkom for or against this idea?

We are already attempting to implement it (a special group has been created) and on 4 February we will discuss it during a special session of the kray soviet. At the present time, the prices are higher than the cooperative prices—according to the existing production costs. But the people will be compensated. Here we have in mind not only a governmental subsidy: 80 percent for meat and 60 percent for milk. We will share them and give them to those people who have rejected the coupon-distribution system. But this subsidy will not be enough. The remaining amount, in our opinion, must be furnished by industrial enterprises. By what means? For example, by means of improved production organization. More than 30 million rubles have been invested in the renovation of a power press plant. But if one visits its shops after 1700 hours: silence. Its modern equipment is not in operation and its shift coefficient is 1.25. Better use must be made of the capabilities already created and the unspecified portion of the development fund must be turned over to the material incentive fund; this will allow it to be increased by 30-40 percent. The better we work, the sooner we will survive this difficult period. I wish to note: we will conduct a special session if the republic's government fails to undertake positive and responsible measures.

The Presidium of the kray soviet and the krayispolkom are conducting a search for such measures at the present time. They handed down a decision on 10 January which, in particular, called for one and a half kilograms of meat to be sold to each individual at the state price. This decision did not come easily. Generally speaking, this was an unusual situation for Soviet workers. V.S. Germanenko stated that nothing like this happened before owing to the fact that no experience was available in carrying out explanatory work in this regard. Vladimir Sergeyevich maintains that the mistake derived from the fact that at the critical moment there was no communication with the representatives of the mass media.

If you will write, he stated, then I would ask you to take note of the following circumstance: the inefficiency and even lack of objectivity in the reports by certain elements of the mass media. It goes without saying that the situation is serious and that the dissatisfaction being displayed by the people is both understandable and readily explained. But why should this dissatisfaction be intensified? There are almost no strikes or demonstrations. Or: the price of a kilogram of sausage meat was

raised to 30 rubles. Yes, this did not happen. The fruit of fantasy. And there were not 56 kilograms of meat per individual, but rather 71. The kray's local soviets are maintaining control over the situation and not tolerating any reductions in the supply of needed goods.

## PERSONAL INCOME, SAVINGS

### Salary Growth Indicators Examined

914D0121B Moscow *EKONOMICHESKIYE NAUKI*  
in Russian No 11, Nov 90 pp 141-144

[Article by I. Chebatkov, chief specialist of the USSR State Committee for Statistics: "Wage Growth Factors (Results of a Special Survey)"]

[Text] For the purpose of studying questions associated with the formation and expenditure of the wage fund, the USSR State Committee for Statistics [Goskomstat] prepared and conducted a special one-time survey of enterprises and organizations in order to study wage growth factors. The survey encompassed about 120 production associations, enterprises, and organizations of industry in 23 regions of the country with a total of 0.7 million workers, including 0.5 million industrial-production personnel.

At the vast majority of enterprises surveyed, the increase in the wage fund surpassed the increase in production volumes, and this sometimes even took place with a decrease in these volumes. The necessary link between movement of incentive funds and other indicators of economic activity is also being traced: profit, export deliveries, contract obligations. The survey showed that these disproportions are determined primarily by shortcomings in the fund formation mechanism, in the existing bonus systems, and the high percentage of payments not related to labor results. Confidence that has developed that it is possible to receive subsidies and additional amounts from the ministry's reserve and from revenue not by reducing material expenditures for products but by increasing prices for them is also having an adverse effect. The sum total of these reasons has resulted in the economic measures taken in recent years not being very effective.

We are citing data characterizing the basic indicators of the production and economic activities of surveyed enterprises in the first quarter of 1990 (Table 1).

Table 1. Indicators of Enterprise Activities

	1st Quarter 1989	1st Quarter 1990	1st Quarter 1990 in Percentage of 1st Quarter 1989	Ratio of 1990 Plan (Calculated) Indicators to Actual 1989 Data, in percent
Average number of industrial-production personnel	515,000	503,700	97.8	103.0
Volume of production (work, services), in million rubles	3,183.1	3,163.4	99.4	98.2

Table 1. Indicators of Enterprise Activities (Continued)

	1st Quarter 1989	1st Quarter 1990	1st Quarter 1990 in Percentage of 1st Quarter 1989	Ratio of 1990 Plan (Calculated) Indicators to Actual 1989 Data, in percent
Wage fund, in million rubles	377.9	405.4	107.3	102.7
Material incentive fund, in million rubles	61.6	59.2	96.8	95.1
Profit, in million rubles	806.7	699.9	86.8	87.2
Average monthly output of products (work, services) per worker, in rubles	2,060	2,093	101.6	95.4
Average monthly wage, in rubles	284.1	307.4	108.2	99.0

We would note that for USSR industry as a whole, the volume of production in the period January-March 1990 compared to the same period in 1989 decreased twice as much at the enterprises surveyed (1.2 versus 0.6 percent). The slump in production for the country as a whole is the result of considerable losses in work time due to strikes and disputes, suspension of the activities of many enterprises due to discrepancies associated with increased demands on environmental protection, and a decrease in production volume in the defense complex, as result of which the output of civilian products in the initial period of conversion is second to the output of military products it is replacing. At a number of enterprises, the decrease in

production volumes was envisioned by the plan, taking into account the introduction of a new mechanism of taxation of the increase in the wage fund. The proportion of such enterprises among those surveyed reaches one-fourth. This cannot but indicate that a considerable portion of the enterprises have been deliberately cutting back production volumes, thus reacting to the tax regulation of funds going to wages that is envisioned beginning 1 October 1989. The latter did not provide the anticipated effect in increasing consumer goods production volumes by industry: the increase here (not counting alcohol) in the first quarter of 1990 was 5.7 percent, which is 0.1 point lower compared to the first quarter of 1989. More detailed information on this is contained in Table 2.

Table 2. Production of Certain Consumer Goods

Type of Product	1st Quarter 1989	1st Quarter 1990	Rate of Increase, in percent
Refrigerators and freezers	1,646,000	1,652,000	100.4
Washing machines	1,626,000	1,859,000	114
Televisions	2,446,000	2,530,000	103
including color televisions	1,520,000	1,683,000	111
Sewing machines	398,100	455,600	114
Fabrics, in million square meters	3,400	3,363	99
Knitted goods, millions	487	494	101
Footwear, million pairs	214	212	99.6
Hosiery, million pairs	534	561	105

Lately, significantly more products are being sold with markups on retail prices. For example, whereas production of refrigerators increased by 0.4 percent, as can be seen from Table 2, 22 percent more were sold at contract prices; respectively, these figures were 5 and 38 percent for hosiery, 14 percent and 1.5-fold for washing machines, and 3 percent and 4.5-fold for televisions.

The volume of products going for exports in the first quarter of this year decreased by 5.3 percent at the enterprises surveyed compared to the first quarter of last year.

One out of five of the enterprises surveyed did not fulfill contract obligations for product deliveries. The percentage of such enterprises was less for industry as a whole: 13 percent. Contract obligations for product deliveries were 98.7 percent fulfilled.

For all this, the wage fund for all personnel at the enterprises surveyed increased by 2.0 percent during the period January-March 1990 compared to the same period of 1989. One can judge what the basic factors of this increase are by the data in Table 3.

Table 3. Growth of Wage Fund and Its Components

	1st Quarter 1990		1989 in Percentage of Total
	Millions of Rubles	Percentage of Total	
Growth of wage fund	16.5	100	100
Including for factors by:			
increasing production volume	6.3	38.2	34.2
Within the framework of this growth:			
changes in the structure of products being produced	1.7	10.3	8.4
commissioning new facilities and putting them into operation	1.9	11.5	11.5
conducting centralized measures for increasing wages	0.7	4.2	8.3
introducing new wage conditions using surpluses carried over from past years	1.0	6.1	9.2
increasing long-service bonuses	0.02	0.1	0.9
bonuses for the past period	0.6	3.6	1.4
compensation for results during the year	2.5	15.2	8.7
bonuses to employees	1.2	7.3	10.9

One can see from Table 3 that in ensuring a growth in the wage fund in the first quarter of 1990 by more than one-third by increasing production volumes, 27 percent of this increase resulted from changes in the structure of products being produced (by increasing the percentage of more wage-intensive products) and 30 percent from commissioning new facilities and putting them into operation. To a considerable extent the production volume indicator changed due to the use of contract prices and an increase in output of goods sold with markups on retail prices.

About 14 percent of the total increase in the wage fund during the period in question was caused by such factors

as allocation of additional appropriations to enterprises from the state budget for centralized measures to increase wages; introduction of new wage conditions by saving on the wage fund carried over from past years; and payment of bonuses for the past period (fourth quarter of 1989).

Thus, the survey materials indicate that the increase in the growth of wages is to a greater extent the result of factors not directly related to the results of labor. If we examine the entire wage fund and not just its growth portion, it turns out that the correlation of various payments in its composition is characterized as show in Table 4.

Table 4. Wage Fund and Its Structure (in percent)

	1988	1989
Total	100	100
Including:		
Payment according to piecework rates	25.2	24.1
Payment according to wage (salary) rates	31.2	31.0
Wage fund bonuses	7.7	14.7
Bonuses from material incentive fund	6.9	6.0
Remuneration for overall work results during the year	2.9	3.4
Supplementary payments for working evening and night shifts	1.2	1.5
Payment of regional coefficients, "northern bonuses"	5.5	5.4
Vacation payments	6.8	6.8
Long-service bonuses	0.2	0.2
Other payments from wage fund and material incentive fund	12.4	6.9

In the total workers' wage fund, the percentage of payments according to piecework rates, wage rates, and salaries is more than 55 percent. Monetary payments not directly associated with labor results (long-service bonuses, payment according to regional coefficients,

"northern bonuses," and others) account for more than 6 percent. Another 3.4 percent go for remuneration for overall work results for the year, which also are not clearly linked to labor results and play the role of a means of consolidating personnel.



More than 30 percent of the wage fund is various bonus payments, overtime payments, and other payments and bonuses. The dependence of these elements of this fund on the results of labor has been substantially weakened due to shortcomings in its organization and providing incentives. It should be established that the bonus system that has taken shape in most cases does not fulfill the role of an effective incentive for efficient labor. In many ministries they took the path of least resistance when developing bonus provisions for enterprise managers: the amounts of bonuses for basic results of economic activities were established based on material incentive funds planned by the enterprises. The individual bonus system also has not been thought out sufficiently at enterprises (basically, this pertains to workers paid by the hour and white-collar workers), which enables each worker to receive a percentage of the bonus regardless of his personal contribution, that is, it leads to a leveling of wages.

The unjustified growth of the wage fund is influenced by the mechanism of its formation (especially under the first cost accounting model) when its amount is basically determined by the results of the previous year's work and only in small part by the results of the current year, which naturally does not provide an incentive to increase production volumes. According to survey data, in 1989 the portion of the wage fund established last year was 95 percent, and the portion of the fund formed according to the norm for increase in the produced volume of products and for above-plan output of individual types of products was only 1 percent. Additional funds were allocated to many enterprises from the reserve of the higher organization (in 1989, about 40 percent of the enterprises surveyed received such funds, and in 1990 their portion is planned at a level of 18 percent). In 1989, these funds were twice as great as the fund formed according to the work results of that same year and were 21 million rubles [R], or 2 percent of the overall wage fund. Later, practically this entire sum will be automatically included in the base fund, which is the starting point for forming the wage fund for next year.

One must also take into account that under the existing fund-formation mechanism according to the first cost-accounting model, the practice is to include in the base fund nonproduction expenditures of the past period (payment of idle time, rejects, additional payments for overtime, and so forth). Thus, in the plan calculations for 1990 for the wage funds of the enterprises surveyed, last year's nonproduction expenditures were R10.9 million, or about 1 percent of the planned fund.

A number of enterprises also use another variant of forming the wage fund: according to the norm per ruble of product volume (NChP). The norm is based on the labor-intensiveness of product manufacture; consequently, it is advantageous for the enterprise to overestimate labor costs, since this makes it possible to receive a large wage fund without much trouble if the norm is unsatisfactory.

According to the enterprises surveyed, the rate of wage fund growth in the first quarter of this year was 8.2 percent with a 1.6 percent increase in labor productivity; for industry as a whole these figures were 7.2 and 1.0 percent, respectively. At enterprises operating under the second cost-accounting model, the increase in average wage was 1.1 times higher than for the enterprises surveyed as a whole, and the output per worker was lower.

The data cited indicate that the existing economic levers do not block an unjustified increase in wages in conditions of a significant expansion of enterprises' economic activities and their relative freedom in setting prices.

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### Problems of Consumer Goods Market, Improvements Analyzed

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[Article by R. Kogay, candidate of economic sciences and sector head of the All-Union Scientific Research Institute for Studying the Population's Demand for Consumer Goods and Trade Conditions [VNIKS], and O. Uspenskaya, scientific associate at the VNIKS: "The Consumer Goods Market: Trends and Measures To Improve Its Condition"]

[Text] The situation in the market worsened sharply in 1989-1990. The consumer goods shortage took on a massive nature and intensified the deformation of consumer demand, which in turn began to have a considerable negative influence on market conditions. There were a number of reasons for this. Above all, the population's monetary incomes increased substantially. In 1988 their increase was unprecedented in the last decade and was nine percent, with an average annual increase of 3-5 percent in previous years. In 1989 and the first six months of 1990, the volume of delivery of consumer goods to the retail trade network increased by nine percent, but monetary incomes increased by 12.9 percent. As a result, the gap between the money mass in the hands of the population and the supply of goods increased considerably (Table 1).

**Table 1. Gap Between Money Mass in the Hands of the Population and Supply of Goods (increase compared to the same period of previous year, in billions of rubles)**

	1987	1988	1989	1st 6 Months of 1990
Delivery of goods (not counting alcoholic beverages)	7.9	19.6	31.5	13.0
Monetary incomes	17.4	40.3	64.0	34.4
Retail goods turnover	9.4	25.1	37.3	22.5

The measures taken to increase the production of consumer goods considerably have not yet provided a rate of increase identical to the increase in the population's monetary incomes. In 1990, an increase in the production of

consumer goods was obtained basically by increasing the output of cultural, personal, and household goods with an insignificant increase in the production of foodstuffs and light industry products (Table 2).

**Table 2. Increase in Production of Consumer Goods (in percentage of corresponding period of previous year)**

	1988	1989	1st Quarter 1990
Production of consumer goods (in retail prices, not counting alcoholic beverages)	105.7	107.0	106.1
Including:			
Foodstuffs	102.2	103.2	96.7
Nonfood consumer items	108.0	107.7	108.8
including light industry products	106.5	104.7	102.5

Regulated forms of sale were introduced and expanded (those existing earlier) to alleviate panic demand. However, as a result, not only has the proportion of goods for free sale decreased but so has their assortment in trade presented directly to the buyer. This has made the situation even worse, since the population's lack of confidence in commodity supply and defrayal of increasing monetary incomes. Thus, according to estimates of the VNIKS, in 1989 the coefficient of saturation of the market with commodity stocks (which characterizes the change in the relation between commodity supply and demand) was 88 percent of last year, while the coefficient of the level of availability of goods in trade was 66 percent.

In 1990, the intensification of the influence of consumer demand on market conditions is determined no longer so much by the growth of the population's monetary incomes as by a number of subjective circumstances related to the population's perception of various events taking place in the country—economic and political. As a poll of 1,000 families showed, the population is most concerned about the instability of the economic situation in the country. This was indicated by 49 percent of those polled, including 50 percent for low- and middle-income families and 40 percent for high-income families.

The change in consumer behavior is influenced most by the increase in prices and growing inflation (33 percent of the responses), intensifying interruptions in the sale of individual goods (26 percent), speculation (20 percent), and also the introduction of various forms of regulating sales (9 percent). There exists a certain variation of responses depending on the level of family income. The low- and middle-income groups are more concerned

than high-income groups about price increases and inflationary processes (33 percent of the responses versus 29 percent), interruptions in the sale of individual goods (28 percent and 22 percent), and speculation (21 percent and 17 percent). Instability of the political situation concerns both high-income (32 percent) and low-income (31 percent) population groups equally. About 16 percent of those polled noted that as consumers they were concerned about intensification of interethnic and regional problems. As the results of the poll showed, this concern increases as income increases.

All this evokes in the population a desire to materialize monetary assets as quickly as possible and doubts in the purchasing power of the ruble. Whereas in 1989 the rate of increase in the population's monetary incomes surpassed the increase of their expenditures for goods and services by a factor of 1.4, in the first quarter of 1990, for the first time in many years, the increase in the population's incomes was practically equal to its expenditures.

In 1989, the proportion of goods being sold without interruptions (Table 3) decreased rapidly. Of the 1,010 groups of goods monitored, only one-tenth are constantly available for sale. This has even further intensified panic demand and "hoarding." Whereas 25 percent of the families polled made such purchases in 1987, 66 percent did so in 1988, and almost 90 percent of the families did so in 1989. And this is typical of all the population, regardless of level of income; the difference is only in the amount. As a poll conducted in May 1990 by the VNIKS showed, for food products the amount of hoarding was 1.4 times higher for high-income population groups (with an average per capita income of R200 or more) than for low-income groups (income under R100), 1.5 times higher for bed clothes and detergents, and 1.8 times higher for hosiery.

**Table 3**

	1985	1988	1989
<b>Food products</b>			
Number of goods monitored	179	221	221
In that number, those sold without interruptions	28	24	12

Table 3 (Continued)

in percent	16	11	6
<b>Fabrics, clothing, footwear</b>			
Number of goods monitored	410	493	493
In that number, those sold without interruptions	75	66	43
in percent	18	13	9
<b>Cultural, personal, and household goods</b>			
Number of goods monitored	238	275	387
In that number, those sold without interruptions	53	25	19
in percent	22	9	5

Throughout the period in question, the structure of "hoarding" also changed. In particular, in 1989, it was influenced to a considerable extent by the introduction of regulated forms of sale and the associated increase in

interruptions of deliveries of goods for free sale, since the population began to acquire namely those products, the sale of which was more subject to regulation (Table 4).

Table 4

	Structure of Hoarding, in percent		
	1987	1988	1989
Food products	48	56	18
Fabrics, clothing, and footwear	25	29	14
Cultural, personal, and household goods	27	15	54
Others	-	-	15
Total	100	100	100

In 1990, the structure of purchases, due to the short supply and inaccessibility of goods, was determined to a greater extent by their supply.

The inflationary processes taking place in the country and, as the poll showed, worrying the population to a considerable extent, result in virtually everything that is available in trade being bought up. Thus, recently the sales of hosiery increased considerably. In the period January-April 1990 the sales were 147 percent of the same period last year (including 152 percent in April); deliveries increased 13 percent; and the level of commodity stocks increased 13.7 percent. However, despite the population's fairly high actual stock of hosiery, which was almost 11 pairs for an average family of three, many consider it insufficient and would like to increase it by another 10-20 percent. The structure of the average consumer stock for one family is 4.8 pairs of ladies' of panty hose, 5.4 pairs of children's stockings, and 6.6 pairs of men's socks.

According to poll data, the population has considerable stocks of goods which, in the estimate of consumers themselves, is substantially higher than the level necessary for rational management of a household. This excess is: 1.8-1.9 times for tea and canned meat and fish; 1.4 times for meat. The greatest excess of actual stocks over the desirable amount is for those goods on which various forms of rationing have been introduced. Above all, this applies to sugar; this excess is 2.5 times for all population

income groups as a whole, and 3-4 times for high-income groups. There are families that have more than 50 kg of sugar hoarded.

A similar situation has also taken shape with detergents. The average stocks of detergents per family are about 6 kg, including: about 11 packages of soap powder; 4 units of liquid detergent and paste; and 8 bars of household soap. Such stocks are more than twice the rational level needed for managing a household. To a considerable extent, this situation was the result of the rationing system in the form of coupons to acquire products, which to a certain extent prompts the population to hoard. Proof of this is the fact that despite such hoarding, sales of synthetic detergents continue to increase at a high rate—137 percent during the period January-April 1990. In individual families, the overall stocks of detergents have reached 55 kg. Consumer stocks of both toilet soap (an average of 15 bars) and toothpaste (5 tubes) are considerable, which in the assessment of consumers themselves is almost 1.5-2 times more than the necessary amount.

The population has also acquired clothing items in order to materialize monetary assets. As the poll showed, 9-10 percent of the men's and women's footwear and 12 percent of the children's footwear purchased by the population in 1989-1990 were acquired not for actual use but "to save" them and not use them in the immediate future. This has resulted in a considerable increase

in the rate of growth of retail goods turnover for products of light industry. For example, whereas it increased by 2 percent for silk fabrics in 1988 compared to 1987, in the first quarter of 1990 it increased by 19 percent compared to a similar period of 1989; respectively, the increase was 5 and 13 percent for knitted goods, 11 and 39 percent for hosiery, 4 and 20 percent for garments, and 5 and 29 percent for leather footwear.

There is also hoarding of cultural, personal, and household goods; true, the amount of hoarding varies depending on the population's monetary income levels. Among the low-income population groups (with an average per capita income under R100 a month), 3 percent of the black-and-white televisions purchased in 1989-1990 will not be used in the immediate future, and among high-income population groups (with an income of R250 or more) the figure is 7 percent; respectively, the figures are 4 and 6 percent for color televisions, 2 and 4 percent for washing machines, 1 and 2 percent for vacuum cleaners, and 5 and 6 percent for irons.

A number of goods (televisions and washing machines) were acquired in order to exchange them for needed goods (25 percent of the responses). Irons were purchased more than other goods (77 percent of the responses) to form a passive stock. This was done most by people with low incomes (in families with incomes under R100 per person—67 percent of the responses, with incomes of R300 or more—43 percent of the responses). This reconfirms the fact that instability of the economic situation and lack of confidence in the future are turning out to be one of the main causes for consumer behavior, and the less protected sections of the population are susceptible to this influence to a greater degree.

The situation that has taken shape is also made worse by the fact that the increased money mass, with the intensifying inflationary processes and instability of the economic and political situation in the country, does not have an equivalent exchange in goods and physical values representing "value." Most often such goods include items made of gold, silver, and other precious metals, carpets and rugs, crystal, antiques, and artistic and folk crafts. However, recently the rate of increase in sales of these goods has decreased and in the first quarter of 1990 was about 95 percent of the amount in a similar period of the previous year (except for items made of gold, the prices for which were raised an average of 50 percent in February 1990). This is the result of a shortage of corresponding commodity resources (for example, the delivery of rugs and carpets during the period in question was 97 percent of the level of the previous year).

Non-commodity forms of defraying monetary incomes (expansion of individual and cooperative housing construction; redemption of apartments of the state housing stocks; sale of land plots, small trade enterprises, public dining enterprises, and enterprises in the service sector; increasing the interest rate for deposits in savings banks, and so forth) are not widely practiced, although the

population prefers these directions of spending funds, which make it possible to convert them from an unstable monetary form into stable forms of personal property. Auction forms of sale, selling at commercial prices, and the like are not being used sufficiently.

All these reasons have resulted in the population beginning to "invest" money not only in traditional goods but practically in all nonfood consumer items, including mass-demand goods. As a result, the rate of increase of their sales in the first quarter of 1990 increased considerably compared to a similar period of the previous year (for example, fabrics, clothing, and footwear increased by 23 percent; cultural, personal, and household goods increased by 15 percent; and all other nonfood consumer items increased by 22 percent). In 1987, these indicators were not more than 5 percent.

The population's monetary incomes in the first quarter of 1990 increased by another R34.4 billion, almost twice the planned amount. Unable to materialize the income in state trade, more and more often the population is utilizing the services of the black market, where prices are considerably higher than state prices. Thus, the actual purchase prices on the black market are almost 70 percent more than state retail prices for clothing and underwear, 83 percent for leather footwear, and 1.5-fold more for electrical and radio goods. The price differences are even more significant for individual consumer goods. Thus, while the average state retail price of pants sold by speculators was R92, the actual purchase price was R176, that is, almost double; for a skirt the prices were R64 and R157, respectively (2.4-fold); for knitted underwear—R69 and R151 (2.1-fold); for leather boots—R107 and R200 (almost double); for knitted wear—2.2-fold, and so forth.

As the results of the poll showed, 30 percent of the population for the country as a whole purchase various consumer goods from speculators, people who buy for resale, and other private individuals. The number of such purchasers varies significantly by individual regions. For example, whereas only 17 percent of the population polled in the Belorussian SSR and 20 percent in the RSFSR and Ukrainian SSR utilize the services of speculators, the percentage is considerably higher in the republics of Transcaucasia. In Georgia, for example, more than 47 percent of the local population regularly purchase various consumer goods from speculators. Persons with various income levels acquire goods on the black market, although, of course, the more well-to-do resort to the services of speculators much more often. Thus, whereas one out of every four persons with an income level below R100 purchases goods in this manner, the number of these individuals increases on the average to 49 percent for those with an income level above R300, and in Georgia it increases even to 73 percent.

The poll of consumers showed that if the situation in the consumer goods market is not normalized in the near future, an even greater part of the population plans to

use the services of speculators and persons who buy for resale (an increase of 1.5 to 2-fold). About half of the entire population considers it possible to buy goods on the black market. In our view, this is quite a negative trend both from an economic and social standpoint—speculation is becoming customary and is not a phenomenon condemned by public opinion. The best situation is in the Belorussian SSR (although the assumed increase in such population is also quite significant there), and it is namely this republic that has the highest level of production of goods.

Presently, it is mainly clothes that are bought from speculators (68 percent of the consumers using black market services indicated this). However, in the future the demand mainly for cultural, personal, and household goods will increase. According to poll data, the number of people planning to buy clothes will increase by 28 percent, and the number planning to buy cultural, personal, and household goods will double. The demand for electrical goods, furniture, refrigerators, washing machines, vacuum cleaners, irons, and so forth is increasing most significantly.

It is not likely that the situation in the consumer market will improve significantly until fundamental steps are taken to stabilize the economic situation in the country—introduction of regulated market relations, expansion of the practice of developing non-commodity forms of defraying the population's monetary incomes, and others. What is more, the negative trends may intensify and take on a steady, stable form—then it will be considerably more difficult to overcome them.

However, the transition to market relations, of course, cannot immediately change the situation. Therefore, in our view, it is necessary to take certain immediate measures that help to improve the situation in the consumer market. First of all, we should repeal completely and all at once all forms of regulation of the sale of goods, which will provide not only a social and economic effect but also, to a certain extent, a political effect. A step-by-step abolition or the preservation of individual forms of regulated sale, on the contrary, only discredits these measures, since there will be opportunities to shift scarce goods from one form of distribution to another.

To decrease the imbalance, it is also necessary to increase import purchases of consumer goods, but the main thing is to change their commodity structure for the purpose of immediate and complete satisfaction of the demand for comparatively inexpensive consumer goods.

Primarily those food products which the population is accustomed to having available should be purchased: tea, coffee. Maximum use should be made of opportunities to import socially important goods—baby food, food for diabetics, and also fruit and vegetable products, both fresh and canned.

Imports of garments, knitwear, hosiery, and footwear should primarily satisfy the population's demand for mass-demand goods that are inexpensive in price. This will make it possible not only to increase the volumes of purchases in conditions of a currency shortage but also improve the situation for low-income population groups.

Among cultural, personal, and household goods, it is feasible to increase imports of so-called small items—razor blades, sewing machine needles, toothbrushes, toothpaste, shaving cream, shampoo, zippers, galvanic cells and batteries, and so forth—without which it is impossible to satisfy paramount demands and the lack of which gives rise to considerable unfavorable criticism from the population.

The structure of import purchases should be precisely coordinated with domestic production of consumer goods in order to avoid a simultaneous production and purchase of the same goods. For example, in the total volume of purchases of ladies' panty hose, the percentage of items made of wool, part-wool, and blend yarn should be increased, and the volume of raw material intended for their production that is freed should be used to make children's stockings and men's and children's socks. When purchasing knitted goods, we should increase the percentage of ladies' rayon and cotton knitted underwear (chemise, two-piece sets, drawers, and so forth) and switch domestic raw material resources to production of children's underwear.

We also can provide a considerable increase in commodity supply by reorganizing the structure of domestic production; more in-depth industrial processing of meat, fish, and fruit and vegetable products using the same volume of raw materials; expanding the output of industrially packaged goods, including in smaller amounts, which contributes not only to an increase in the units of goods with the same volume but also to a substantial reduction of losses; increasing the assortment of partially prepared meat, fish, and vegetable products, culinary products, and so forth.

Development of the production of flash-frozen fruits and vegetables would make it possible not only to preserve their nutritive and taste qualities but also to reduce losses during harvest, shipping, storage, and sale. It is possible to reduce losses of fish by setting up production of dressed products, primarily filets and partially prepared foods; the inedible part of the fish, which averages 40 percent of its weight and which is lost during processing at home, could be used for feed purposes. All this also applies to other food products and many nonfood products, especially timber, construction materials, and so forth.

Pursuing a flexible production and trade assortment policy would make it possible to expand significantly the range of market prices taking into account the demands of consumers with various levels of monetary incomes, especially in connection with an intensification of the differentiation of this process in recent years. We should



increase production of prestigious goods for antiques and top-grade radios, televisions, and furniture, which can be sold using auction forms of sale, at commercial prices, and so forth.

We also need a broader diversion of monetary assets from the consumer goods market by selling to the population and cooperatives incomplete construction projects, above-norm stocks of raw materials and materials, and also equipment, inventory, and other things not being used by enterprises. The sale of them could also be accomplished at auctions at contract prices. The polls touched upon the topic of privatization, in particular of trade, public dining, and domestic services enterprises. This is a new and difficult matter, and the population does not have a clear attitude toward it: 38 percent of those polled believe this is necessary; 20 percent are categorically opposed; and 42 percent are abstentions. In our view, this is explained to a certain extent by the inconsistent policy in the area of the cooperative movement and by the shortcomings in its organization, which also adversely affects the population's attitude toward development of various forms of ownership.

The poll of consumers conducted by the VNIKS also showed the population's willingness to direct its monetary assets toward paying for top-rate expensive services, including recreational services, both in the state and the cooperative sector.

A considerable portion of those polled would like to transfer their assets from an unstable monetary form to stable forms of personal property. The main form is to expand private and cooperative housing construction (74 percent of the responses). Presently, it is 24 percent of the newly commissioned housing stocks and 16 percent of the overall value of investments in construction. This volume could be increased to 65-70 percent. We should also expand the practice of redemption of apartments of state housing stocks. In doing so, however, we must intensify the corresponding explanatory work. For the time being, a considerable portion of the population has a negative attitude toward this measure—20 percent of those polled consider it necessary, and the same number abstained from responding. People do not believe that this will be voluntary in nature. A very large number of those polled would like to purchase plots of land and small machinery to work them.

Among other avenues of using monetary incomes, the population cites deposits in savings banks at high interest rates depending on the amount of monetary savings.

A promising direction, in our view, is also advance payment for future purchases in the form of specific-purpose installments and loans. In 1990, state specific-purpose loans amounting to R10 billion have been issued with the condition that they will be paid off with

cultural, personal, and household goods in 1993. This amount could be increased two- to threefold if specific-purpose loans were introduced not only for goods but also for housing, for the sale of plots of land, and so forth. The majority of those polled consider development of such specific-purpose loans to be necessary.

Development of the service sector is a large reserve in balancing monetary incomes and expenditures. Despite the rapid growth in the volume of paid services (116 percent), the degree of satisfaction with them compared to rational norms was only 40 percent. Plans for rendering such services are also not being fulfilled. Thus, in 9 months of 1989 the actual increase was 8.2 percent against 10.5 percent under the plan. The service sector is not evenly developed throughout the country. The average per capita expenditures for services is twice as high among blue- and white-collar workers than among kolkhoz farmers, and in certain regions they are more than three times as high. On the average only 9.3 percent of all the population's expenditures go for payment of services.

Above all, nonproduction services, which do not require considerable capital investments but have great social importance, should be developed. These are services in the sphere of organizing leisure time (instruction at courses and in creative studios, sports and health services, tourist and excursion services, and so forth), individual care for children, sick persons, the elderly, and disabled persons, and expanding types of services that are little used—information, legal, financial, and other consulting services. The cooperative sector of the economy has great reserves here. According to a poll conducted by the USSR State Committee for Statistics in 1989, 25 percent of the population believe that primarily cooperatives and individuals should be engaged in these types of services, and the population notes namely the receipt of services that were previously not available as among the positive consequences of cooperative and individual labor activities.

Rental services are poorly developed in our country, although the population considers them important (64 percent of those responding). Introduction of the rental of motor transport equipment, small equipment, mobile homes, furniture, and tourism and recreation items is of great importance. Cooperatives could also play a large role here, buying at auctions, for example, motor transport equipment that has been written off by enterprises and organizations.

The survey conducted showed that increasing prices has not helped to stabilize the consumer goods market. The main condition for achieving a balance between supply and demand is a rapid increase in production of goods and reorienting the economy to immediate satisfaction of the population's needs.

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## ENERGY COMPLEX ORGANIZATION

### USSR Atomic Energy Minister Visits Conversion Projects

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[Article by special correspondent I. Mosin: "A Journey Into Conversion: What's Going On Where Quite Recently the Work Was Solely in Support of the Country's Defense"]

[Text] It was a rare opportunity. Going with Minister of Atomic Power and Industry V. Kononov on a tour of several dozen enterprises of the sector working for defense needs. Let me recall that the current Ministry of Atomic Energy and Industry is the former Ministry of Medium Machine Building. This is important to our discussion. The goal of the trip was to get a practical look at how conversion is going. Summarizing almost two weeks of impressions, let me say right away that there are plenty of problems, but on the whole, conversion is proceeding dynamically, thoughtfully and flexibly in the sector. I might venture the prediction that if no one sabotages the efforts of medium machine builders, and if they get help when they need it, in two or three years we will sense the real fruits of this conversion, still so incomprehensible to most of the population. What conclusions can we make from this journey into conversion?

The first thing that comes to mind is that money and resources must be given to the strong. We are too poor to distribute our meager wealth to everyone equally. We need to invest it in those who are able to give a larger return faster.

Let me say frankly that if I were a man of means, it would be into medium machine building that I would invest my modest savings. Why? Because the people here are working wisely, purposefully, energetically. Let me paint a few still lifes of conversion.

The Kazakh settlement of Aksuyek has a population of 6,000. Practically all of it had been involved in uranium mining. Now the uranium mine is closed. The people were left without work. There are steppes as far as the eye could see. But the miners didn't fall apart. They prospected some granite deposits not far from the settlement. We saw the first huge blocks of granite they wrested out. A. Yezhov, director of the Yuzhpolimetall Combine, of which the mine is a part, explained:

"A block of unworked granite is valued from 190 to 300 rubles. If the granite is cut into slabs, they could now be sold for thousands. Do you see the difference?

"There was a hang-up, however—where to get a granite slab cutting line. We don't have enough of them here in the country, and the quality of even those that are available leave something to be desired. The world's

best—an Italian line—costs a million in hard currency. Where is such money to be had? Nowhere, for now. We found a simple solution—we decided to make one ourselves."

"Wasn't it hard to begin everything from scratch?" I asked the director.

Anatoliy Pavlovich fell silent for a little while, and then he began his answer in a roundabout way. I could sense that he had a lot that he wanted to get off his chest:

"Wherever you go, everyone is talking about stagnation. What do they think, that the country's been lying on the beach all of these years, working on a suntan? Who, then, built the plants, smelted the steel and mined the uranium? We never witnessed this stagnation. As soon as we develop a deposit and get the town working, we are transferred to a new place. We've gotten used to starting from scratch. If only they'd let us get into full swing without tying our hands with all kinds of restrictions and arbitrary regulations."

Producing high quality granite and marble facing slabs is but one of the aspects of the conversion process in Yuzhpolimetall. Following that wise principle of business, they're not placing all their eggs into one basket here. The combine is also able to produce crushed rock and mine borite, a necessary component for drillers and oilmen.

The combine's main plant in the city of Kara-Balta is making preparations to receive gold ore for processing using capacities that had formerly been employed in uranium processing. Concurrently, the combine's other plants have already begun putting out electric motors, meat cooking pots and collapsible athletic exercise bars. Capacities producing oxalic acid, lubricant and even chewing gum are now being prepared. It must be admitted that such diversity was somewhat mind-boggling at first. On one hand because people got things moving so energetically, and on the other hand because our market is so hungry for goods. No matter what project the combine initiated, everything seemed to work out.

We saw and felt everything the director talked about firsthand. I saw good cause for anger. Take for example the collapsible athletic exercise bar—a work of jeweler's precision. It costs only 28 rubles. But in Moscow, it'll go for 300. Understandably, the people are just pricing the market, checking it out. But it hurts to see how hard they have to work in order to make a silk purse out of a sow's ear. Even so, the exercise bar is an insignificant problem compared to some. For example, cutting granite, mining minerals and processing ore require tens and hundreds of millions of rubles, equipment and construction materials. What is the most surprising is that medium machine building industry is getting nothing of this today: it embarked upon conversion entirely on its own, at its own risk. Does it have enough strength in reserve to carry it through?

## Thoughts of the minister:

*Our sector is having a difficult time of it today. Reduction of the defense program naturally resulted in a notable decrease in production of military equipment, special articles and electronic systems. We have practically stopped production of highly concentrated uranium for military purposes. On the other side of it, the review of the country's energy program is not going in favor of nuclear fuel at all. As a result the volume of our traditional product has dropped by 40 percent, and a number of enterprises need to be retooled for completely different products. All of this will doubtlessly cause an increase in economic and social stress at a certain stage. But unfortunately, in a number of cases we are left to our own devices in solving these problems.*

*We have not gone any further than simply announcing the objective of converting military industry. When it comes to some sort of foundation beneath it, and economic primarily, there is nothing there. Let me recall that in the West, assets freed as a result of reduction of expenditures on military needs are being channeled into reconversion. But in our country, we are more concerned with how to take these assets away from defense workers and give them to someone else. We continue to emphasize dividing everything up. But when it comes to saturating the market with goods, few are giving any thought to how this can be done faster. Our life possesses one amazing property—when something is taken away from some, for some reason others don't see any increase in what they get. Let me emphasize that capital investments into conversion are one of the most acute problems today. If we find a reasonable solution to it, goods will make their appearance. But if we don't, the goods will not appear, and we will undermine our defense potential. Such is the dilemma.*

I must admit that the medium machine builders amazed me not only by their good business sense but also by the quality and dependability of their products—something that was forgotten and lost by civilian sectors long ago. For example, in Navoy I acquainted myself with operation of mini-dairies. They are easily loaded on trailers, driven to their place of work, and set up and started up in just a few hours. Make anything you want out of the milk—sour cream, cottage cheese, kefir, thin sour cream. And so-called aseptic shops presently being planned make it possible to produce 6,000 containers of milk with a storage life of five months hourly. If each village and town had such a shop, the country would have been swimming in milk long ago. But what is most impressive is the design of these shops, the excellence of their construction. Steel and nickel surfaces please the style-conscious eye: everything glistens and sparkles like in the best commercials.

L. Kuznetsov, director of the Uralsk Electrical Machinery Plant, summarized the quality of the work of medium machine builders very well:

“Right from the start, quality was the main objective of our military production. Absolute dependability, precision and quality were valued above economy in our sector.”

It can probably be said that in this case, medium machine builders profited well from their isolation, their separation from civilian sectors. The negative processes civilian industry suffered had little effect on them. This is why they were able to automatically transfer their requirements on military equipment to consumer goods. Contrary as it may appear in our times, it seemed to me that they are incapable of working poorly here.

The second thing that comes to mind is the old but currently meaningful notion that all that glitters is not gold. An acquaintance with medium machine building encourages thoughts which might be termed seditious in today's thinking. While it has been denounced to such a great extent, the authoritarian administrative system can be effective in relation to certain goals. It possesses undoubted advantages which by our long-standing Russian habit we are unable to see, but which we will necessarily remember the next time our wagon breaks down.

It has allowed us to concentrate enormous human and material resources to reach a posed objective. Recall cosmonautics, the nuclear shield, creation of powerful defense industry, atomic power engineering, and of course the Great Patriotic War. No matter what we say, in these areas we are still holding on at the world level. It is precisely in relation to major state objectives that the authoritarian administrative system reveals its better qualities. As was aptly put by V. Krotkov, chief of one of the medium machine building main administrations and a professional of the good old mold, before dismantling the old, we need to know for certain that the new will be better.

This is probably why the minister never tired of emphasizing the following in all of his statements, no matter what the profile of the plant he was talking about: “We must strive for world-class production in the area in which we are professionals. First acquire a firm stand in some one thing. Then you can ‘diversify.’”

It seemed to me that medium machine builders absolutely lack any sort of defense industry snobbism. We used to mine uranium and manufacture missiles, they say, and now we're being asked to produce all kinds of consumer goods. The impression is that the people have been waiting all their lives to demonstrate their business sense, resourcefulness and knack, and now such a possibility has afforded itself. M. Kucherskiy, director of the Navoy Mining and Metallurgical Combine, explained what was unique about this psychological phenomenon:

“Medium machine builders have been educated in such a way that they have gotten used to taking and carrying out orders. The main thing is to pose the objective to them correctly. Then it would be simply impossible for them not to reach it.”

By the way, in all of the years of its existence the sector had never failed a state plan a single time. And even today, despite how hard it is for them, they are reaching all of their targets. I find this do-or-die attitude toward work very commendable. Even in the presence of a market economy, there will be no shortage of plans. And those who are capable of carrying them out will always be in scarce supply.

However, despite the fact that medium machine builders are already producing hundreds of different articles for the national economy—from leather jackets and spinning wheels to rare-earth metals and laser video players—they are conducting this massive economic expansion selectively. I was told at that same Uralsk Electrical Machinery Plant that they had an opportunity not long ago to begin mass production of irons. Highly scarce goods today. They rejected the idea. I spent a long time trying to find out from them what was so bad about irons.

"What we're afraid of," they explained to me, "is that in manufacturing such products, we ourselves might turn into irons."

As they say, it's always easier to roll downhill than to fight your way up.

The impression I arrived at from my acquaintance with conversion in medium machine building is that the foundations of many production operations are being laid today, ones which will offer very strong competition to similar civilian enterprises. Isn't this the way to create and form a market? Medium machine building is now regrouping, it is accumulating the strength it needs to launch itself into the peaceful future.

After this journey into conversion, I am especially gratified by the fact that through their work and their attitude toward it, the people with whom I acquainted myself completely dispel the myth of our supposed disarray, our inability to solve a crisis on our own. They still have fight in them. They still retain that strong foundation of statehood that the rest of our society loses so catastrophically quickly—structure, discipline and respect for authority. They are still capable of carrying out any tasks.

But what we need to do today is to quite clearly see and understand the difficulties they have encountered in the course of conversion. Desire and experience alone are not enough. Nor will the habit of subordination be any salvation. You can't make something out of nothing. And the transition of the sector—I think this pertains to all defense industry as well—to production of peaceful goods is proceeding with extreme difficulty.

And the more complex the production, the more painful is the process. Strange as it may seem, there is a very great difference between manufacturing pots and building tanks. Unfortunately, it is only recently that we have begun understanding this simple truth. But we have already made some mistakes.

Conversion is proceeding much faster than expected. The enterprises are having a hard time keeping up. Defense industry is getting no social or financial support from the state. Many military articles are being removed from production randomly, and no one is regulating this process. If anything happens, who is going to be held responsible for the consequences? Everything seems to be progressing of its own accord. With social consciousness stirring itself awake, people are beginning to violate technological and production discipline. Controllability of the enterprises is decreasing.

But most importantly, people in defense industry are beginning to feel unneeded. Hence the lack of confidence in tomorrow, the feelings of anxiety and defenselessness, and the drain of the most highly skilled personnel into cooperatives. All of this is dulling and weakening the potential of defense industry. Solution of these problems depends primarily on state policy in relation to the military-industrial complex.

Thoughts of the minister:

*I feel certain that many of our present political, ethnic and social problems could have been avoided by giving closer attention to the economy.*

*Instead, negative processes are gathering strength in our economy. In a time when tendencies toward closer planned economic cooperation are intensifying throughout the world, in our country we see a growing tendency toward religious isolation, which is itself based on economic difficulties as well.*

*It is time we understood that real cost accounting knows no boundaries. It is saddening and disappointing to see long-standing production ties and relations being broken due to political and ethnic causes. It seems to me that everything about today's situation persuasively demonstrates that we can solve the crisis only by working together. Perestroyka is of course necessary. I am in favor of sensible redistribution of profit. If we mine gold on the territory of Uzbekistan, why are neither the combine, nor the sector, nor the republic getting hardly anything from its sale?*

*Except for that part of profit which remains in their possession, the profit of the enterprises should be transferred completely—let me emphasize completely—to the local budget, and it is from the latter that higher executive bodies of Soviet government should be funded in accordance with established standards. It is under such conditions that local soviets would be able to control their environment, and would not need to come begging. This is in the economic interest of the rayon, the city, and in general, the republic and country. Once the economy gets going, many of the problems will disappear.*

The third thing that comes to mind is something we should well remember—it is always harder to build something than to break it down. In view of certain historical conditions, a huge work force and a powerful economic potential have been created in certain oblasts

in the state. The paramount question is what we do with it now. Do we take the path of destroying this self-adjusting, excellently organized structure together with its extremely great human, productive and intellectual potential, or will we find a way to utilize it effectively? In view of its special importance to the state, the country's nuclear complex could not allow any interruptions in its service no matter what sort of upheavals the entire system might experience. This is why it was conceived from the very beginning as a self-organizing, self-adjusting system. Something to which we are currently hoping to transform our present society. In my opinion the founders of the Ministry of Medium Machine Building completed this task brilliantly. This conception, which was built into the sector right from the start, is one of the main reasons for its stability. The moment we take even one link out, the entire system will collapse. This is why the main concern of the ministry is to preserve the present structure of the sector, and its potential. This structure is strong in its monolithic nature, in its internal ties, in its people, and in its traditions. By allowing it to fall apart, we would lose everything that the country invested into this structure and the latter used so wisely. This would be not only an economic but a political mistake. And haven't we made enough of those?

Medium machine building has essentially concentrated our society's intellectual, engineering and business elite. It would be better not to squander it, it would be better to keep the little that we have today. Good fruit, after all, comes only from good seeds. And that's a law of nature.

In trying to make sense of what is going on today, one comes to a bitter conclusion. Considering how things stand today overall, what we are doing is presiding over the disintegration of statehood. Practically no social institution and no profession has escaped injury or insult. The army, the MVD, the KGB, the ministries and departments, the party, the intelligentsia, the workers and peasants—did I leave anyone out?—have all been under the fire of criticism. We are being told that all of these years we have worked, lived and thought completely wrong. Is there even a single ray of light in this kingdom of darkness? The press, alas, can shed no light.

We doubtlessly need to learn to live and work better. But as long as the state exists, its institutions of enforcement, administration and defense will continue to exist. Could it be that we have whipped and belittled ourselves before the entire world enough? If a person does not respect himself, who is going to respect him?

One other thing. Citizens of the country just like the rest of us are working in the military-industrial complex. Just like us, they suffer and are saddened by the fate of our fatherland. But they have a much better chance of traveling the path of perestroika faster, and of becoming a unique catalyst of all economic processes. With the help of conversion, we will be able to solve many of our problems. But we may also kill the potential in which we

rightfully take pride. And so we need to provide this possibility to them, we need to help them. Hope is always placed upon the strong.

## FUELS

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### Tasks for Oil Industry's Science Sector Outlined

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in Russian No 12, Dec 90 pp 3-8

[Article: "Important Tasks of the Industry's Science"]

[Text] In May 1990 USSR Minneftegazprom [Ministry of the Petroleum and Gas Industry] convened an industry-wide conference of science workers, production specialists, and the ministry's staff which discussed the problem of science's role in solving the oil industry's problems. Reports by First Deputy Minister L. D. Churilov and chief of the Scientific and Engineering Progress Section Ye. M. Dovzhok were heard. Minister of the Petroleum and Gas Industry L. I. Filimonov delivered the closing address.

The urgency of the problem discussed was dictated by the unfavorable state of the industry and by the lack of support for its operation in the years ahead. Suffice it to say that oil recovery began to fall after the peak reached in 1987-1988. In 1989 fulfillment of the state order for oil recovery fell short by more than 13 million tons. For the first time in many years the drillers did not meet the plan for making hole, not one of the goals for building oilfield, social, and domestic facilities was completed, and the indicators for financial and economic activity worsened. Thus expenditures per 1 ruble of commodity output rose from 69.5 to 76.4 kopecks, and labor productivity was 97.5 percent.

There were no changes for the better in 1990. Judging by the dynamics of the indicators, as the minister remarked in his speech, the branch had reached the limit of its economic potential. Without dwelling on a comprehensive analysis of the causes of the existing situation, let us single out two main factors that were brought up at the conference.

First and foremost is the limited nature of the opportunities for promoting production within the framework of the traditional domestic technology and level of technical equipment. The second, which definitely results from the first, is that of failing to sustain the increase in oil recovery by introducing new oil-recovery capacity. Both factors are closely associated with the effectiveness of scientific developments and the pace and scale of introducing them.

The industry's scientific potential is rather high, taking into account assistance from allied scientific and design-development institutions. Within the ministry's system alone 52 organizations are in operation—41 institutes



and 11 design-development offices. Nine of these institutes belong organizationally to six NPO's [scientific production associations] and to the Nefteotdacha MNTK [interindustry scientific and engineering complex], 18 are subordinate to production associations and one main administration, 12 are prime institutes—they are directly under the ministry, and two are part of the Neftegazgeofizika Association. The total number of workers engaged in science has exceeded 53,000, and 150 doctors and more than 2,000 candidates of sciences are at work in our scientific collectives.

The specialized and most of the regional institutes have at their disposal experimental production facilities and proving grounds which, when fully supplied with their equipment and computers, are capable of rendering important support for scientific developments. Meanwhile, progress in solving urgent problems in practice still has not helped to eliminate many negative trends in the industry. Moreover, those scientific results that would lead to a qualitative breakthrough in decisive areas of activity are not being achieved.

Let us address just certain most important areas where delay will not permit the critical situation to be overcome.

**In the Area of Geological Exploration.** An unfavorable structure of oil reserves has been prevailing in the industry. In recent years the share of reserves of poorly permeable reservoirs or of reserves that contains highly viscous crude has risen intensely. The share of reserves of such crude increased from 29 percent in 1980 to 52 percent in 1989, including those of West Siberia. Moreover, the new deposits are being discovered increasingly frequently in remote and uninhabited regions, at times where there are severe natural or climatic conditions.

In this connection, the practice, which is still being disseminated, in which the work results of scientific and geological-exploration organizations are rated according to the volume of structures discovered and less attention is paid to the qualitative nature of the resources that are being added, was subjected to criticism at the conference. As a result, the plans for growth of reserves were fulfilled but the supplying of raw-materials is not being improved, the growth of reserves in Transcaucasia and Central Asia is not effective enough, and the inventory of prepared structures and of  $C_3$  resources for most regions with the infrastructure that is taking shape (Grozneft, Stavropolneftegaz, Krasnodarneftegaz, Kirgizneft, and others) is constantly falling short. For certain regions, the reliability of geophysical research is negligible, the confirmability of promising structures is about 15 percent, and the indicator for transfers of  $C_3$  reserves to  $C_1$  and  $C_2$  does not exceed 0.32.

It was noted at the conference that, with a 1.5-fold increase in appropriations for geophysics, the availability of resources has remained the same as before, and for some associations it has decreased. During the first 3 years of the current five-year plan, 22 structures were

prepared on PO [Production Association] Nizhnevolzhskneft lands at a cost of 6.5 million rubles, exploration thereof required expenditures of 29 million rubles, but only one oil field was discovered. It was a gullied field with 1.4 million tons of reserves.

A certain nonparticipation of the industry's organizations in the results of USSR Mingeo [Ministry of Geology] enterprises has existed. Fairly often USSR Mingeo transfers to USSR Minneftegazprom's books reserves at new fields that have been confirmed by the GKZ [State Commission on Mineral Resources Reserves] with a preliminary consultation with experts of our industry's institutes, but after they were put into operation it was observed that the fields had not been fully explored, and as a result the confirmed reserves have had to be written off. This was the case at the Sutorminskoye, Yem-Yeganskoye, Varyeganskoye, Tagrinskoye and Talinskoye and other fields.

The prime institute IGI RGI [Institute for the Geology and Development of Mineral Fuels], together with other scientific organizations of the industry, still are not concerned enough about developing methods for making a reliable qualitative evaluation of fields in the early stage of prospecting and exploration. The time has come when it is necessary to put the comprehensive design of geological exploration on a higher scientific basis, guided mainly by economic criteria.

**In the Area of Developing Fields.** Changes in the qualitative structure of reserves and a high degree of working of most fields charges the industry's science with new missions. This, first of all, means the comprehensive analysis and working out of new approaches to the development of deposits, taking into account modern demands that are dictated by the economy and the ecology.

Waterflooding remains the country's main method for developing fields. In 1989, 546 million tons of crude were recovered from waterflooded deposits. In so doing, the average water cutting of wells reached 75.9 percent. No few new and complicated problems arise because of the increase in water encroachment. Meanwhile, their solution lags seriously behind the pace of the situation's development, the prime cost of recovery grows, energy resources are expended excessively, and the ecological situation becomes more complicated.

The problem of bringing into active development reserves that are difficult to extract, the main share of which are in low-permeability reservoirs, also is extremely severe. A basically new way of solving this problem is the creation of development systems that are founded on the sinking of horizontal and horizontally branched wells (GRS's). There is significant world experience which confirms that one GRS is able to replace 5-6 or more ordinary vertical wells.

But this problem can be solved only in integrated fashion, on the basis of the precisely coordinated efforts of scientific and design-development organizations. In

the U.S., where hundreds of horizontal wells have been sunk, new systems and devices had to be created. Among them are improved drill bits with polycrystalline inserts, instruments for making measurements in wells without lifting the string, top-drive drilling systems that are unlike the former power swivels, multiple-channel drill pipe, and so on. USSR Minneftegazprom has approved the Gorizont program for creating a method for horizontal drilling, having in mind its introduction primarily in West Siberia.

Another area for increasing development effectiveness is the wide introduction of formation hydrofracturing by an improved methodology. Experienced in its use is the PO Yuganskneftegaz, where a joint Soviet-Canadian enterprise, Yuganskfrakmaster, is performing such operations with success. More than 70 deep-penetration hydrofracturing operations have been accomplished here, confirming the indubitable profitability of the method.

Thus it can be confirmed that the use of horizontal drilling and the hydrofracturing of formations will enable the task of bringing poorly permeable reservoirs into profitable and rather effective development to be solved fundamentally.

The methods of developing certain complicated deposits—multiple-strata deposits with alternation of various fluids in the column; deposits below the gas with a small oil-saturated thickness; oil-and-water zones at a late stage; individual operation of highly productive and poorly productive zones at the same structure, and so on—require deep study and most rapid introduction.

At the congress, measures for the accelerated development of methods for increasing formation productivity as the main direction for increasing recoverable oil reserves were discussed. Thermal methods are the best preparatory methods. While about 4 million tons were being recovered through these methods in 1989, NPO Soyuztermneft developed operating processes and the appropriate equipment and facilities, and a Neftemash plant manufactured mobile experimental steam-gas generators, heat-insulated pipe, heat-resistant packers, well-head fixtures and collapsible steam lines. Nevertheless, introduction is going on extremely slowly, and the method is being used on an industrial scale only at the Uzen (hot-water injection) and Karazhanbas (steam injection and in-situ combustion) fields. Meanwhile, at the Usinskoye field, which has more than 600 million tons of reserves and where about 3.3 percent has been removed, thermal methods are not being used, although it is known that without them only 8 percent of the reserves will be removed. Preparation for introduction has been going on for many years in vain, for which PechorNIPIneft [Pechora Scientific-Research and Design-Development for Oil], the MNTK Neftetodacha, NPO Soyuztermneft, and MING [Moscow Institute for Oil and Gas] imeni I. M. Gubkin, and the AN SSSR [USSR Academy of Sciences] Institute for Oil and Gas Problems] are the most guilty.

The development and introduction of thermal stimulation have been neglected in Krasnodarskiy Kray, Tatariya and in PO Aktyubinskneft. VNIISPTneft [All-Union Scientific-Research Institute for the Gathering, Preparation, and Transport of Crude Oil and Petroleum Product] and VNIITneft [All-Union Scientific-Research Institute for the Development and Operation of Oilfield Pipe] are not solving the problems of averting in-situ combustion complications which have come to a head and which hinder development of the method in many areas.

Physical-chemistry methods for increasing formation productivity are of priority importance. But these methods still have not emerged from the experimental stage, although 50 technologies have been tested and accepted by an agency commission. Some of them are marked by high cost, which provokes an attitude of restraint toward the introduction of economically accountable associations, so USSR Minneftegazprom is confident that the preparation of measures of economical stimulation methods for increasing formation productivity will be completed in the near future.

The conference discussed the question of developing bitumen deposits and of extracting rare earth metals and valuable components from them. In Tataria alone 380 bitumen fields have been found and the experimental-test NGDU [oil-and-gas recovery administration] Tatneftebitum has been established; however, in the meantime, 12,500 tons of bitumen are obtained annually.

**In the Area of Oil-Recovery Equipment.** In connection with the development of new areas for developing fields, preparations should be made for the increasing difficulties in oil-recovery technology, which have been caused in particular by the increasing complexity of recovery conditions and by the intense increase in water encroachment of wells and the aggressiveness of the output thereof. Facilities for lifting the liquid and a technology for treating it that are based upon nontraditional approaches must be created. Ecological considerations and the necessity for profitability of recovery and for saving resources require this.

In analyzing deeply the effect of changing development conditions and the new demands on well operation, scientific institutions are obligated to make stiffer demands on the partners who create the equipment. One cannot become reconciled to the fact that the improvement of oilfield equipment has until now boiled down to a strengthening of weak components that are encountered during operation. Basically new design solutions that will enable the introduction of new technological processes, as well as increased reliability and durability of the industrial equipment, must be insisted upon.

Problems of creating equipment for recovering oil is still poorly represented in the thematic plans of institutes and KB's [design offices], and, while various plans are being resolved, the matter is not budging beyond the reflection thereof in reports.

**In the Area of Well Construction.** The conference noted that in recent years the amount of drilling has risen, and the effective speed has been increased 1.3-fold for operational drilling and 1.2-fold for explorational drilling, and the average duration of well construction has been reduced by 17 and 13 percent, respectively. But these results do not provoke great satisfaction, because the drilling enterprises achieve them through better organization of operations, dissemination of the experience of leading collectives, and a rise in the role of the human factor. The service of science clearly has been inadequate here. The contribution of NPO Bureniye and of regional institutes has in recent years allowed only the complication of rock and geological conditions of drilling operations to be compensated for, and many important problems are still unsolved, as before.

Thus the problem of exposing formations while preserving their natural permeability is raised periodically, but its solution has not been brought to its final conclusion. This problem has become urgent anew in connection with the drilling over of poorly permeable reservoirs. Tens of thousands of tons are lost at each well just because of a reduced initial rate of withdrawal. VNI-IKRneft, which has special laboratories and has spent much money, is not yielding the solutions needed for exposing the formations.

The anchoring of wells is not reliable enough. For monitoring cementation quality the geophysical services use obsolete equipment which does not show a true picture of reliability of the anchoring.

The problem of preserving well productivity is not restricted just to the quality demands made on exposing the formation. Liquids for killing wells during workover must be created, and it is still more important to study the possibility of regulating the waterflooding processes in a way that will not allow an excessive rise in formation pressure, because of which well killing is resorted to during well workover. This problem should seriously concern MNTK Nefteotdacha, regional NII's [scientific-research institutes], and the Neftegazgeofizika association.

Effectiveness of the testing of designs still is not adequate. In the past 5 years, out of 150 new designs for rock-destroying tools and for bottom-hole motors that were examined by the State Commission, about 40 percent were not recommended for series production or were sent out for refinement. For several years VNI-IKRneft has been developing basic automated systems for optimal control of various processes for drilling, but they have proved to be ineffective.

Designer surveillance of the institutes over observance of the technological guidance and the design solutions established by them is extremely poor. This was manifested especially at the Tengiz field, where, up to now, the causes of the interstring pressures that are observed

at certain wells have not been found, and compensation for temperature elongations of casing string is not being provided for.

The industry's science is obligated to sharply accentuate its role in ties with production and to raise the quality of designs for building wells.

**In the Area of Saving Resources.** It is planned that, by the year 2000, 70-80 percent of the growth of the national economy's requirement for fuel, power, and raw and other materials will be covered by savings of all types of resources. Thus, the energy and metals intensiveness of production should be reduced on the average by 1.4-fold and 2-fold, respectively. In achieving these savings, the role of scientific and technical progress will rise, therefore the industry's institutes, in a close tie with production, are to take measures to save resources. Resource-saving technology and technical equipment must be created and standards developed. At present only MNTK Nefteotdacha has begun to occupy itself with these questions, developed a program, and undertaken operations, but they are being dragged out to a great extent. It must be said that there are many opportunities in the area of saving resources, as world experience testifies, and the yield of scientific developments in this area is very great, so they should be speeded up in every possible way.

**In the Area of Protecting the Environment.** Questions of the ecology relative to the oil and gas industry have acquired exceptionally great importance, in the light of strict modern requirements. The factors that exert a specific negative effect on the ecological situation should include the use, with adverse consequences, of much agricultural land for wells and oilfield structures, the great consumption of fresh water, the pollution of water bodies with liquid waste, the intensive extraction from the earth of nonrenewable hydrocarbon reserves, the erection of pipeline systems that are susceptible to accidents, and great losses of oil and gas. The venture of recovery into new regions, especially those with extreme natural and climatic conditions, is accompanied by the disturbance of fragile natural environments that are difficult to restore, as the result of an irresponsible attitude toward designs for the construction of oilfield facilities and the implementation thereof.

On lands that are being drilled over and where oilfields are being developed, one can see many signs of environmental disturbance. In a number of places, an enormous number of the sludge pits that remain after drilling still have not been eliminated. In Glavtyumenneftegaz [Main Administration for the Oil and Gas Industry of Tyumen Oblast] alone there are several thousand of them. The industry's technology for the construction of wells is not at present properly oriented to protecting the environment. The prime institute in this field, VNIKRneft, has never developed a satisfactory concept of a drilling process that is nature-conserving, which includes the utilization and decontamination of wastes, a minimum

of lost time for agricultural lands, the technical and biological reclamation of lands put back in circulation, and so on.

Casing-head gas continues to be flared off; in 1989, 12.3 billion m<sup>3</sup> were burned, 8.8 billion m<sup>3</sup> of it in Tyumen Oblast. Because of the loss of gas hydrocarbons in the system for preparing and transporting crude, each day about 6 million tons of harmful substances are discharged into the atmosphere. Many other cases of ecological disturbances can be named, a fact which places the industry in the category of ecologically harmful production activities. One of the basic causes is the low quality of design solutions in regard to the ecology, and sometimes even the lack thereof, delays in the construction of nature-conservation facilities, and a lack of the necessary equipment. Research and design institutes are not responsible enough for increasing their exactingness toward the creation of an ecologically clean technology.

**In the Area of Improving Control of the Branch and of Science.** The processes of democratizing administration, providing for the economic self-sufficiency of enterprises, and converting to market relationships that are occurring in the country face the industry's economic science with many problems. Among them are the development of new principles for managing the production association and its structural subunits, the necessity for creating an effective system for supplying the industry with materials and equipment, and the reinforcement of interindustry ties.

The conference required earnest study of these problems and preparation of the scientists' recommendations. Unfortunately, these studies have been drawn out intolerably, and the ministry has been compelled to delay in sending to the government its proposals for converting to

market relationships, without ever receiving the results of the study of the problems by VNIIOENG [All-Union Scientific-Research Institute for Organizing Control and for the Economics of the Oil and Gas Industry]. If the efforts of the industry's science are not enlisted in the details of all economic-reform problems that touch on the industry's interests, then the oil industry will prove to be unready for market relationships.

A peculiarity of the current stage in the industry is such that, as the minister noted at the conference, the sole resource for its development is science, and all long-term successes are associated with an intensification of science's yield. The existing mechanism for controlling our scientific potential cannot be called perfect. In the past 2-3 years, serious distortions of the economic mechanism have occurred in the work of scientific institutions. The multiple growth that has been observed in the amount of scientific work that has been done at contract prices was the result not of an expansion of the work but of the substitution in the institute's thematic missions of urgent problems by the large-scale replication and marketing of old scientific output under contracts with enterprises. The amount of such work doubled in 1988 and rose 3.5-fold in 1989. This led to a reduction in scientific yield and an erosion of serious thematic projects that the industry urgently needs.

Supervisors of scientific institutions are responsible for eliminating adverse tendencies in scientific collectives and for focusing efforts on the urgent mission projects that decide the industry's fate and on equipping laboratories and experimental centers with modern equipment and instruments.

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## USSR Legislation on Employment of Population

### Resolution on Basic Legislation

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in Russian 25 Jan 91 First Edition p 1

[Decree of the USSR Supreme Soviet issued from the Kremlin in Moscow on 15 January 1991 and signed by A. Lukyanov, chairman of the USSR Supreme Soviet: "Decree of the USSR Supreme Soviet Promulgating the Bases of Employment Legislation of the Union of SSR and the Republics"]

[Text] The USSR Supreme Soviet decrees as follows:

1. The Bases of Employment Legislation of the Union of SSR and the republics will take effect on the date of publication, but Section IV "Social Welfare Guarantees During Unemployment" (Articles 25-37) will take effect on 1 July 1991.

The supreme soviets of the republics may put Section IV "Social Welfare Guarantees During Unemployment" of the Bases into effect at an earlier date if they have the necessary funds.

2. It is hereby established that in 1991 the state fund for promotion of employment is formed from mandatory contributions of enterprises, institutions, organizations, and cooperatives at the rate of 1 percent of funds for remuneration of labor, and also from subsidies from the union, republic, and local budgets, unless legislation of the republics provides otherwise.

It is hereby recommended that the supreme soviets of the republics make decisions on participation of enterprises, institutions, organizations, and cooperatives in formation of the state fund for promotion of employment and also define the procedure whereby the costs would as a rule be charged to the production cost of the product (job, service).

The USSR Government is ordered to adopt measures to form the state fund for promotion of employment beginning 1 February 1991, but with respect to subsidies from the union budget—on 1 January 1992.

3. It is hereby established that in 1991 the base wage for computation of the size of unemployment benefits in state enterprises, institutions, and organizations will be based on the average wage, omitting all types of bonuses and lump-sum rewards.

4. It is hereby recommended that the republics establish the following for 1991:

- quotas for creation of jobs specifically for disabled persons in a number not to exceed five percent of the number of workers in the given enterprise, institution, or organization. Should the enterprise, institution, or organization fail to meet the established standard, the earmarked deductions into the state fund for promotion of employment envisaged by

Article 20, Point 2, of the Bases will be made in the amount of the average annual wage in that enterprise, institution, or organization for each job not created;

- as a condition for payment of unemployment benefits to individuals—they must have worked at least 36 calendar weeks during the 12 months preceding commencement of unemployment.

5. The Commission of the Council of the Union for Development of Industry, Fuel and Power, Engineering and Technology, the Commission of the Council of the Union for Labor, Prices, and Social Welfare Policy, and the Committee of the USSR Supreme Soviet for Legislation, jointly with the USSR Government and trade unions, other committees of the USSR Supreme Soviet, and standing commissions of the chambers, are to examine and submit to the USSR Supreme Soviet during 1991 proposals for amendment of the USSR Law on Enterprises in the USSR with respect to establishing priority of settlement with workers in case of an enterprise's bankruptcy, liquidation, or reorganization.

6. The Committee of the USSR Supreme Soviet for Veterans and Disabled Persons and the Commission of the Council of the Union for Labor, Prices, and Social Welfare Policy, jointly with the USSR Government, in order to elaborate Article 32 of the Bases are to draft and during the first half of 1991 submit to the USSR Supreme Soviet a draft of a union law providing special guarantees for members of the officer corps, ensigns, warrant officers, and military personnel doing extended service, officers and rank and file of agencies for internal affairs and state security who have been discharged and do not qualify for a pension.

7. The USSR Government:

- in the first half of 1991 will submit for consideration of the USSR Supreme Soviet proposals on bringing legislative acts of the USSR into conformity with the Bases adopted;
- will within one month adopt the necessary normative enactments to implement the Bases of Employment Legislation of the Union of SSR and the Republics, define procedure for shaping the system for vocational training, improvement of qualifications and retraining of workers laid off and the unemployed population, and for organization of paid jobs in public works, and also adopt a regulation on the state fund for promotion of employment;
- will by 1 June 1991 bring enactments of the USSR Government into conformity with the Bases of Employment Legislation of the Union of SSR and the Republics and see to revision and repeal of normative acts by ministries and departments of the USSR, including instructions, if they contradict the Bases;
- will conduct negotiations with other countries on possibilities for job placement of Soviet citizens abroad. Will take up the question of creating a special migration service to see that rights and interests of citizens are protected during their occupational activity abroad, and will also define the procedure



and conditions for issuing licenses to cover the activity of commercial firms related to the job placement of USSR citizens abroad;

- will define the procedure for providing clarifications related to application of the Bases of Employment Legislation of the Union of SSR and the Republics.

8. It is hereby recommended that the supreme soviets of the republics adopt the necessary legislative enactments in conformity with the Bases of Employment Legislation of the Union of SSR and the Republics.

9. It is hereby proposed that the supreme soviets of the republics and local soviets of people's deputies take the necessary steps to ensure employment of the population and social welfare protection of individuals.

10. It is hereby recommended that the supreme bodies of government of the republics bring republic legislation into conformity with the Bases.

#### Procedural.

1. The Committee of the USSR Supreme Soviet for Legislation, jointly with the USSR Government, other committees of the USSR Supreme Soviet, and standing commissions of the chambers, during preparation of the draft versions of the Bases of Labor Legislation of the Union of SSR and the Republics and the Bases of Civil Legislation of the Union of SSR and the Republics and the Law of the USSR on Worktime, will take up the question of incorporating into those legislative enactments a standard envisaging that in a case when major property damage has been inflicted on one organization or region through the fault of another organization or region compensation of that damage may be made by central bodies of government and administrative agencies, and that damage would subsequently be reimbursed by the guilty party.

This legislative standard must be adopted in order to prevent blockades and other unlawful acts inflicting major material losses.

2. Article 5, Point d, of these Bases will take effect for young specialists who have graduated from state educational institutions entering those educational institutions no earlier than 1 September 1991.

#### Text of Legislation

914F0124B Moscow SOVETSKAYA ROSSIYA  
in Russian 25 Jan 91 First Edition pp 1-2

[Bases of Legislation of the Union of SSR and the Republics issued by the USSR Supreme Soviet from the Kremlin in Moscow on 15 January 1991 and signed by M. Gorbachev, president of the Union of Soviet Socialist Republics: "Bases of Employment Legislation of the Union of SSR and the Republics"]

[Text] This legislation defines the legal, economic, and organizational bases of employment of the population in the context of a market economy and equality of the

differing forms of ownership, and also guarantees on the part of the state concerning exercise of citizens' right to work.

#### Section I. General Provisions

##### Article 1. Employment of Citizens

1. Employment is an activity of citizens that is not contrary to the USSR Constitution nor the constitutions of the republics and is related to satisfying their personal and social needs, and which as a rule brings them earnings (income from work).

Individuals have an exclusive right to dispose of their own abilities for productive and creative work and to engage in any activity not prohibited by legislation, including activity not involving performance of paid work (bringing up children, running a household, full-time study, and civic activity). Administrative coercion of labor is not permitted in any form except in cases envisaged by legislation of the Union of SSR and the republics. Voluntary unemployment of individuals may not be grounds for their administrative, criminal, or other accountability.

The state guarantees conduct of a policy to promote full, productive, and freely chosen employment directed toward creation of conditions for exercise of the citizens' right to work.

2. The employed population includes the following:

- wage workers, including those who work for remuneration a full or partial workday (workweek) and also those who have a paying job confirmed by a relevant contract (agreement), but temporarily absent because of illness, leave, strike, or temporary shutdown of production;
- individuals who obtain work on their own, including entrepreneurs, self-employed persons, members of producer cooperatives, private farmers, and members of their families who take part in production;
- individuals elected, appointed, or installed in a salary position;
- military personnel serving in the armed forces, border forces, internal forces, and railroad forces, and agencies for state security and internal affairs;
- working nationals of other countries residing temporarily on the territory of the country and performing functions not related to supporting the activity of embassies and missions.

3. The legislation of the republics may envisage other categories of the employed population.

##### Article 2. The Unemployed

The unemployed are declared to be able-bodied citizens of working age who for reasons that do not depend on themselves do not have work and earnings (income from work), who are registered with the state employment

service as persons seeking work, who are able and ready to work, and to whom that service has not made offers of a suitable job.

Should it prove impossible to supply an appropriate job, a proposal may be made to the unemployed person that he go through professional training or retraining or improve his qualifications.

The procedure whereby individuals register as unemployed is defined by legislation of the Union of SSR and the republics so as to take into account these Bases.

### Article 3. Suitable Work

1. Suitable work for individuals who have lost their jobs and earnings (income from work) is considered to be that which corresponds to their vocational training, taking into account their age, length of service and experience in their previous specialty, and the accessibility of the new workplace from the standpoint of transportation.

Work cannot be considered suitable in the following cases:

- if it is offered in an area where the housing and other living conditions are less favorable than the worker had before applying to the employment service;
- if it is quite far from the permanent place of residence;
- if the wages and other working conditions are substantially lower than the average level of remuneration in the given specialty (occupation) and in the given locality;
- if there are sound reasons for refusing it, in particular the worker's personal situation or family situation.

2. At the end of the initial period of unemployment, should it be impossible to offer the individual work in his occupation (specialty), work requiring change of occupation (specialty) in view of the individual's abilities, strength, past experience, and training opportunities accessible to him may be considered suitable.

3. For persons seeking work for the first time and without a profession (specialist), work requiring prior vocational training may be considered suitable, and if it is impossible to furnish this, other paid work (including work of a temporary nature), taking into account the individual's age and other characteristics and the requirements of labor legislation, may be considered suitable.

4. Legislation of the republics or a decision of local soviets of people's deputies may establish other criteria of suitable work that offer greater social welfare protection of workers.

### Article 4. Basic Principles of State Policy in the Field of Employment of the Population

State policy in the field of employment of the population is based on the following principles:

- the guarantee of equal opportunities for all citizens of the USSR regardless of race, sex, attitude toward

religion, age, political convictions, nationality, and social situation, in exercising the right to work and in free choice of employment;

- maintenance of the work initiative of individuals, promotion and incentives to develop their abilities for productive and creative work that guarantees workers decent conditions of employment, working conditions, and living conditions;
- the voluntary nature of work, in accordance with which employment is based on the free expression of the individual's will;
- active promotion of employment and prevention of unemployment;
- guarantees of social welfare protection in the field of employment, performance of specific measures that aid employment of individuals experiencing difficulties in seeking work;
- combination of the independence of the republics and local soviets of people's deputies in providing employment for the population with centralized measures to solve the most important employment problems;
- coordination of activity in the employment field with other lines of economic and social welfare policy, including social security, growth and distribution of income, and prevention of inflation;
- participation of trade unions and associations (federations) of employers in drafting, executing, and monitoring performance of measures to guarantee employment, interacting with state administrative agencies;
- international cooperation in solving the problems of employment, including occupational activity of Soviet citizens abroad and work activity of foreign citizens within the country.

### Article 5. State Guarantees of the Right To Work

1. The state guarantees citizens of the USSR the following:

a) gratis general educational and vocational training and also retraining. The procedure for furnishing them is defined by legislation of the Union of SSR and the republics;

b) freedom of choice of type of occupation and job;

c) free assistance in choice of suitable work and job placement in accordance with vocation, abilities, vocational training, and education;

d) protection against all forms of discrimination and assurance of all workers equal opportunity in acquiring an occupation and work and in selection of conditions of employment and work;

e) suitable work for a period of at least three years is offered to young specialists graduating from state educational institutions by enterprises, institutions, and organizations applying in advance;

f) compensation pursuant to current legislation of material costs related to an assignment to work in another locality;

g) the opportunity to conclude employment contracts for a specified period of time and to participate in paid public works organized so as to take into account the individual's age and other characteristics.

2. State agencies see to the publication of statistical data and information material on the supply and demand for manpower, job placement opportunities, vocational training and retraining, vocational guidance, and work rehabilitation as a social service.

#### **Article 6. Additional Guarantees of Employment for Particular Categories of the Population**

1. The state furnishes additional guarantees for employment of individuals in need of social welfare and experiencing difficulties in seeking work, including young people, single parents and parents with many children bringing up minor children or handicapped children, individuals of prepension age, internationalist military personnel, disabled persons, persons who have not had work for a lengthy period of time, persons discharged from institutions where they were serving a sentence or receiving compulsory treatment by decision of a court (hereinafter "persons in need of social welfare"), by creating additional jobs and specialized enterprises, including enterprises to employ disabled persons, organization of special training programs, and other measures.

The criteria for classifying individuals in one of these groups are defined by republic legislation.

In keeping with current legislation, soviets of people's deputies may grant tax benefits from their own resources and from other sources may assign to enterprises, institutions, and organizations the minimum number of jobs earmarked for hiring these groups of individuals.

2. The republics may in their legislation envisage additional guarantees financed from their respective resources for citizens employed in enterprises, institutions, and organizations which are being liquidated (reorganized) in connection with measures to improve the environmental situation and as a consequence of natural disasters and bankruptcies.

#### **Article 7. Legislation on Employment**

1. Relations in the sphere of employment are regulated by the present Bases, by labor legislation, and by other legislative enactments of the Union of SSR and the republics issued in accordance with them, as well as by collective agreements (contracts).

2. Legislation on employment also extends to foreign nationals and stateless persons residing permanently in the USSR unless legislative enactments of the Union of SSR provide otherwise.

#### **Article 8. Delimitation of Powers of the Union of SSR and the Republics**

1. The following are in the jurisdiction of the Union of SSR:

- definition, with the help of the republics, of the basic principles of state policy in the area of employment of the population;
- coordination of the activity of the republics on matters concerning employment of the population, conclusion of agreements with them, and the drafting of unionwide programs in this area;
- definition of the minimum standards of social and economic welfare of individuals, regardless of where they live, binding upon all the republics.

2. The republics resolve in their full extent matters related to the drafting and conduct of employment policy on their respective territories and exercise of the rights of individuals envisaged in the present Bases and other legislative enactments.

Legislation of the republics and also collective agreements (contracts) may envisage other conditions and procedure not inconsistent with these Bases for payment of unemployment benefits, definition of suitable work, which improve the social welfare of the workers, including longer payment periods and increased amounts of benefits, and also stipends during the training period (remuneration for work in paid public works) financed from the republics' own resources.

#### **Section II. Rights of Citizens of the USSR to Guaranteed Employment**

##### **Article 9. The Individual's Right to Job Placement**

Individuals have the right to free choice of their place of work through direct application to enterprises, institutions, organizations, private peasant farms, and other employers, or through the gratis intermediation of the state employment service.

The hiring decision is made on terms of mutual agreement between the enterprise, institution, organization (other employer) and the individual seeking work.

The procedure and conditions for conclusion of employment agreements (contracts) through job placement are regulated by labor legislation of the Union of SSR and the union republics.

##### **Article 10. The Right of Individuals to Vocational Guidance, Training, Retraining, and Information**

Individuals applying to the state employment service as persons seeking work have the right to gratis vocational guidance, training, retraining, and information for the purpose of free choice of type of employment, occupation, place of employment, and work schedule.

**Article 11. The Individual's Right To Work Abroad**

Individuals have the right to work during temporary residence abroad. The procedure for protection of the rights and interests of such citizens and also the conditions for offering assistance of an intermediary are defined by legislation of the Union of SSR.

**Article 12. The Right of Individuals to Social Support in the Employment Area**

Every citizen of the USSR has the right to social support in the employment area.

Persons duly recognized to be unemployed are entitled to receive an unemployment benefit.

**Article 13. The Right To Appeal Actions of the State Employment Service**

Individuals have the right to appeal actions of personnel of the state employment service to the superior agency and also in the courts in accordance with the procedure established by the USSR Law on Procedure for Judiciary Appeal of Improper Actions of State Administrative Agencies and Officials Infringing the Rights of Individuals.

**Section III. Regulation and Organization of Employment of the Population**

**Article 14. Regulation of Employment**

1. In order to promote full, productive, and freely chosen employment of the population, the state provides the following:

- measures in financial and credit policy, investment policy, and tax policy aimed at optimum location of the productive forces, higher worker mobility, creation of new technologies, incentives to create small enterprises and apply flexible work schedules, and other measures helping to preserve and develop the system of jobs;
  - legal regulation aimed at preservation and promotion of employment by supporting the employment rights and interests of workers, by issuing them guarantees, by creating favorable conditions in the production workplace, and by improving legislation on employment and labor.
2. State administrative agencies:
- conduct analytical studies of the structure of the economy and forecast coming changes in the quality of manpower and employment and the distribution of manpower;
  - draft state employment programs subject to adoption by respective soviets of people's deputies, including the recruitment and use of foreign manpower in the USSR on the basis of quotas and licenses, and within the limits of their jurisdiction they see that they are carried out.

3. State statistical reporting reflecting the state of the labor market and the situation concerning employment of the population is being introduced on the territory of the Union of SSR.

4. The measures for regulation of employment applied in practice are defined at the union, republic, and local levels so as to take into account the prevailing socioeconomic situation in conformity with legislation of the Union of SSR and the republics, collective agreements (contracts), and these bases.

**Article 15. State Employment Programs**

1. State employment programs are drafted at the union, republic, and local levels in order to promote employment of the population, to meet the individual's need for work, to prevent unemployment, and to provide social protection from its consequences.

2. State unionwide, interrepublic, republic, and regional employment programs envisage the following:

a) development of jobs, enhancement of the economic motivation of enterprises, institutions, and organizations for productive and flexible forms of employment of the population;

b) measures to promote employment of the population living in rural localities;

c) guaranteeing employment of persons in need of social welfare and individuals of pensionable age;

d) improvement of the system for reproduction of manpower in a linkage with development of jobs, training, retraining, and improvement of qualifications, and vocational guidance of the population, and improvement of the effectiveness of use of labor resources;

e) creation of the conditions for priority assignment of workers laid off to sectors of the economy which are developing;

f) improvement of the organizational structure of the state employment service, formation of its material base, personnel, data base, statistical system, financial base, and scientific methods;

g) encouragement of individuals and members of their families to move voluntarily, including allocation of appropriate material and financial resources.

The procedure for drafting and implementing these measures is defined by legislation of the Union of SSR and the republics as well as by treaties (agreements) of the republics.

**Article 16. Territories for Priority Development**

The USSR cabinet of ministers and the governments of the republics designate territories where the development of jobs is especially stimulated by the state. Such territories (above all the labor-surplus mountainous and rural areas of the Far North and localities equivalent to

areas of the Far North) for a specified period of time acquire the status of territories for priority development.

Enterprises, institutions, and organizations creating production operations, subsidiaries, and jobs in these areas are provided benefits concerning taxation of profit and other financial assistance in accordance with the procedure and under the conditions defined by legislation of the Union of SSR and the republics.

#### **Article 17. Coordinating Committees for Promotion of Employment**

Coordinating committees for promotion of employment are created at the union, republic, and local levels in order to work out coordinated decisions in the definition and implementation of employment policy; their members are representatives of trade unions, employer associations, and state administrative agencies. Representatives of trade unions and employers are appointed to the committees in equal numbers after clearance with the organizations they represent. The operating procedure and organization of the coordinating committees are defined by the parties represented on the committees.

At the union and republic levels, the activity of the coordinating committees for promotion of employment is organized by the senior officials of state agencies responsible for conducting employment policy.

The powers and functions of the coordinating committees are defined by legislation of the Union of SSR and the republics.

#### **Article 18. The State Employment Service**

1. The state employment service is created to carry out the policy for employment of the population and ensuring the relevant guarantees to individuals over the entire territory of the Union of SSR.

The activity of the state employment service at the union, republic, and local levels is carried on under the guidance of the respective bodies of government in close interaction with the coordinating committees for promotion of employment.

The procedure for formation of the state employment service at the union level is defined by the USSR cabinet of ministers. In the republics, the state employment service is formed according to the procedure defined by the legislation of those republics.

The primary unit in the state employment service is the rayon or city (city-rayon) employment center. Its activity is financed from the resources of the state fund for promotion of employment envisaged for those purposes.

Special subdivisions may be created in employment centers concerned with job placement of workers in the creative and uncommon occupations.

2. Services related to ensuring the employment of individuals are rendered gratis by the state employment service.

3. Within the state employment service, an inspectorate is created to monitor observance of legislation concerning the rights of individuals to work and employment by state and public agencies, enterprises, institutions, and organizations, regardless of the form of ownership and type of economic activity, by private farmers, and by other employers.

4. The activity of commercial bureaus, agencies, and other organizations providing job placement services for compensation to Soviet citizens, including employment abroad, is permitted under duly issued licenses.

When services related to vocational guidance, improvement of occupational level, and training of individuals for a new job, and job placement are rendered, licenses are issued to commercial organizations only if they have the appropriate certificate obtained from the state employment service.

#### **Article 19. Rights and Duties of the State Employment Service**

1. The state employment service:

- analyzes and forecasts the demand for and supply of manpower and furnishes information on the state of the labor market;
- keeps records of job vacancies and citizens applying for job placement;
- provides consultation to workers and employers applying to the employment service concerning the possibilities of obtaining work and obtaining manpower, concerning the qualifying requirements for occupations and workers, and concerning other matters related to ensuring employment;
- provides assistance to workers in selecting suitable work and to enterprises, institutions, organizations, and other employers in selecting the necessary workers;
- organizes vocational training, retraining, and improvement of the qualifications of individuals within the system of the employment service or in other educational institutions;
- renders services of job placement and vocational guidance for workers laid off and the unemployed;
- sees to registration of the unemployed and renders them assistance within its competence, including the payment of benefits;
- organizes the drafting of unionwide, republic, oblast (kray), city, and rayon employment programs, also envisaging in them measures for social protection of various population groups;
- assists enterprises, institutions, and organizations in solving problems related to ensuring employment of the population.



2. The state employment service has the right:

- to request from enterprises, institutions, and organizations, regardless of the form of ownership and type of economic activity, information on structural changes and other measures proposed which could result in laying off workers, and also information on the existence of job vacancies (vacant salary positions);
- to refer to all types of enterprises, institutions, and organizations individuals applying to the employment service for job placement in accordance with the level of their qualifications and vocational training when appropriate job vacancies (vacant salary positions) exist there;
- to draft and present for consideration of local soviets of people's deputies proposals on establishment for all types of enterprises, institutions, and organizations the minimum number of job positions for the hiring of persons in need of social welfare and also to refer such individuals to enterprises, institutions, and organizations for job placement;
- in agreement with enterprises, institutions, and organizations, independently of the forms of ownership and type of activity, to conclude contracts on their behalf with individuals for their job placement, including prior vocational training (if necessary), payment of travel expenses, per diems for each day en route, and also to pay benefits when a move is made to a new place of residence and new place of employment, at the expense of the enterprises, institutions, and organizations;
- to assign unemployed citizens at their request to paid public works in accordance with established procedure;
- to disburse in accordance with established procedure the resources of the state fund for promotion of employment;
- to pay out of the resources of the state fund for promotion of employment the cost of vocational training and retraining of persons registered as seeking employment, and also to award them stipends for the entire period of training in the amounts envisaged by legislation of the Union of SSR and the republics on employment of the population;
- and in accordance with established procedure to pay employment benefits to individuals and to suspend or revoke the payment of those benefits.

3. On the recommendation of the state employment service, soviets of people's deputies, in conformity with the legislation of the republics, may stay up to six months decisions of enterprises, institutions, and organizations on large-scale layoff if there are difficulties in their subsequent job placement, combined with simultaneous partial or full compensation of the enterprises or the losses incurred because of this postponement.

**Article 20.** Participation of Enterprises, Institutions, and Organizations in the Conduct of State Employment Policy

1. Enterprises, institutions, and organizations, regardless of the form of ownership and type of economic activity, performing their activity on the territory of the Union of SSR, contribute to conduct of state employment policy on the basis of the following:

- observance of the conditions of treaties (agreements) regulating employment relations in accordance with legislation of the Union of SSR and the republics;
- creation of conditions for vocational training and retraining and improvement of the qualifications of workers;
- job placement of the number of persons in need of social welfare fixed by the local soviet of people's deputies;
- furnishing information within the periods of time established by republic legislation concerning job vacancies and possible worker layoff, including a written statement of the grounds of the layoff, indication of the number and category of workers it might affect, and the period of time over which it is to be accomplished. This information is submitted to the state employment service and trade union body for purposes of consultation and adoption of timely measures to offset the adverse consequences of the layoff.

2. Enterprises, institutions, and organizations are required to create in accordance with established procedure job positions specifically for disabled persons, and, should they fail to fulfill this requirement, to make financial contributions to the state fund for promotion of employment that are earmarked for organizing the job placement of disabled persons. The amounts of such deductions are determined according to the procedure and under the conditions established by legislation of the republics.

Employers' outlays to create additional jobs for disabled persons and for training and retraining of persons in these categories may be compensated from the resources of soviets of people's deputies and also from the state fund for promotion of employment and other resources.

Jobs for disabled persons are eliminated only with consent of the local soviets of people's deputies.

3. The USSR cabinet of ministers, the governments of the republics, and local soviets of people's deputies may grant tax benefits and benefits concerning other payments into the union, republic, and local budgets (all the way to complete exemption from payment of taxes and other payments) for the hiring of individuals in need of social welfare.

**Article 21.** Trade Union Participation in Promotion of Employment

1. The trade unions participate in drafting state employment policy and relevant legislative enactments of the Union of SSR and the republics and the decisions of local soviets of people's deputies.

2. State administrative agencies, economic authorities, and trade unions regularly hold joint consultations on the problems of employment. On the basis of their

results, they may conclude collective agreements (contracts) which include measures aimed at promotion and preservation of employment, protection of workers laid off, and also workers in need of social welfare, obligations of state administrative agencies in supplying information on economic and financial conditions for conduct of employment policy, and other matters affecting the interests of the workers in the field of employment.

**Article 22. The State Fund for Promotion of Employment**

1. The state fund for promotion of employment is formed as an independent financial system at the local, republic, and union levels according to the procedure defined by legislation of the Union of SSR and the republics, and it is used to finance measures to carry out employment policy and for the effective activity of the state employment service.

2. The purposes for expenditure of the resources of the state fund for promotion of employment are defined in state employment programs so as to take into account the recommendations of the respective coordinating committees for promotion of employment.

3. The state fund for promotion of employment is formed from the following sources:

- compulsory deductions of enterprises, institutions, organizations, and cooperatives, regardless of the form of ownership and type of economic activity;
- resources of union, republic, and local budgets;
- voluntary contributions of Soviet and foreign enterprises, public organizations, and individuals, and other receipts.

As much as 90 percent of the resources of the state fund for promotion of employment formed on the territories from deductions of enterprises, institutions, organizations, and cooperatives remains at the disposition of the republics, and at least 10 percent is centralized into the nationwide portion of the fund.

The specific amounts of compulsory deductions and the procedure and conditions for commitment of those resources are defined by legislation of the Union of SSR and the republics and by decisions of local soviets of people's deputies within the limits of their respective competence.

4. Disposition of the resources of the state fund for promotion of employment is in the competence of the state employment service.

5. The state fund for promotion of employment is exempted from payment of taxes on income realized from commercial activity and also from state and customs duties payable into the union budget.

**Article 23. Organization of Public Works**

On the recommendation and with the participation of the state employment service, local soviets of people's

deputies organize the performance of paid public works in enterprises, institutions, and organizations which are their property and, under contract, in other enterprises, institutions, and organizations.

Contracts are concluded with persons wishing to participate in public works for a term not to exceed two months, and they may be extended. Individuals registered as unemployed have prior right to conclude the contracts.

Individuals doing jobs in public works are guaranteed remuneration for work done that is at least 15 percent greater than the unemployment benefit, and the time of such work is included in total and continuous work service. Social welfare guarantees extend to such persons, including the right to pension coverage and payment of sick leave benefits.

Public works are financed from the local budget and resources obtained from the state fund for promotion of employment.

The procedure for organization and conditions for conduct of public works are defined by legislation of the Union of SSR and the republics.

**Article 24. Vocational Training, Improvement of Qualifications, and Retraining of Unemployed Individuals**

1. Vocational training, improvement of qualifications, and retraining of persons registered with the employment service as persons seeking work may be performed in the following cases:

- if it is impossible to select suitable work because the individual lacks the necessary vocational qualifications;
- if it is necessary to change qualifications because of the absence of work corresponding to the vocational skills the individual possesses;
- if the ability to perform work in the previous occupation has been lost.

2. Vocational training, improvement of qualifications, and retraining of such citizens are done by direction of the state employment service in the training centers of that service or in other educational institutions by referral of that service and financed from funds envisaged for those purposes in the state fund for promotion of employment.

**Section IV. Social Welfare Guarantees in Case of Loss of Employment**

**Article 25. Guarantees of Material Support**

The state guarantees individuals who have lost employment, who are seeking it for the first time, and also who wish to resume work activity after a lengthy interruption, the following:

- a) the granting of special guarantees to workers laid off from enterprises, institutions, and organizations;

b) the payment of a stipend during vocational training, improvement of qualifications, or retraining and inclusion of that period in total and continuous work service;

c) the payment of an unemployment benefit;

d) the rendering of material assistance to the unemployed individual and members of his family taking into account the elderly and minor dependents.

**Article 26. Particular Guarantees of Material Support of Workers Discharged From Enterprises, Institutions, and Organizations**

1. Workers discharged from enterprises, institutions, and organizations when the employment contract has been dissolved because of reorganization and liquidation of enterprises, institutions, and organizations, or in connection with performance of measures to reduce staff size, retain during the period of looking for work, but not more than three months, the average wage, taking into account the severance benefit, and continuous work service, provided within 10 calendar days after being dismissed they register with the employment service as persons seeking work. In any case, workers discharged for these reasons are paid a severance benefit in the amount of at least an average monthly wage.

The severance benefit is paid and the average wage is retained for the previous place of work.

If by the end of the three-month period the worker discharged is not offered suitable work, and also if within that period he has refused two offers of such work, he acquires the status of being unemployed.

If enterprises, institutions, and organizations being liquidated lack the funds intended for settlement with the workers being laid off, the decision on payment of compensation is made according to the procedure and under the conditions established by legislation of the Union of SSR and the republics.

2. Workers laid off from enterprises, institutions, and organizations because they are undergoing liquidation, reorganization, reduction of the labor force, and who are going through full-time vocational retraining or improvement of qualifications at their new place of employment preserve during the entire training period the average wage in their previous job. When taxable profit is computed, the total amount of balance-sheet profit of enterprises, institutions, and organizations is reduced by the amount of funds they spend for vocational training, improvement of qualifications, and retraining of such workers.

If job placement of a worker laid off requires prior improvement of qualifications or retraining, this is done under analogous conditions at the expense of the enterprise, institution, or organization where he was laid off if during the two years previous to his layoff the worker did not have an opportunity to improve his qualifications or acquire a related occupation at that enterprise.

3. If necessary, the state employment service may compensate enterprises, institutions, and organizations entirely or partially for outlays to organize the training of workers who are hired and who have been laid off at other enterprises, institutions, and organizations.

4. Persons who have lost employment because of a workplace accident or an occupational disease for reasons beyond their control and in need of job placement and vocational training, improvement of qualifications, and retraining are equivalent to workers who have been laid off.

**Article 27. Amounts of Stipends To Be Paid to Individuals During Vocational Training, Improvement of Qualifications, and Retraining**

1. Individuals who have lost employment and income (income from work) and who are registered with the employment service as persons seeking work are paid a stipend during the period of vocational training, improvement of qualifications, or retraining, as follows:

- if they have no children or other dependents—in the amount of at least 50 percent of the base wage at their previous place of employment, computed from the recommended state wage rate schedules (salaries) so as to take into account the average earning or supplement for performance of rated assignments (hereinafter—the base wage);
- if they have children or other dependents—in the amount of at least 50 percent of the average wage at their previous place of employment.

The amount of this stipend must be at least as great as the minimum wage established by legislation of the Union of SSR and no more than 70 percent of the average wage in the republic, kray, or oblast.

2. Individuals seeking work for the first time, discharged for violation of work discipline, and also persons who have not worked for a long time and are in need of vocational training, improvement of qualifications, and retraining, are awarded a stipend in the amount established by legislation of the Union of SSR and the republics, but not less than the amount of the unemployment benefit envisaged for that category of the population.

**Article 28. Conditions and Terms for Payment of the Unemployment Benefit**

1. The unemployment benefit is paid to individuals duly recognized as unemployed.

An individual becomes entitled to the unemployment benefit no later than the 11th day from his application to the state employment service, and he continues to qualify until the question of job placement has been settled.

2. The periods for payment of benefits are determined by legislation of the republics, but they may not be less than 26 calendar weeks during a 12-month period for persons

who have lost their work and earnings (income from work) or who are trying to resume work activity after a lengthy interruption (more than one year), and 13 calendar weeks for persons seeking work for the first time.

In the case of persons who have lost their employment and earnings (income from work), the unemployment benefit is paid if during the 12 months preceding commencement of unemployment they have had paid employment (income from work) at least 12 calendar weeks on a full workday (workweek) schedule or on a short-day (week) schedule employment that converts to 12 calendar weeks on a schedule with a full workday (week).

3. During the period of receiving the benefit, the unemployed person must assist in job placement according to the procedure and under the conditions defined by the legislation of the republics.

**Article 29. Procedure for Extending Periods for Payment of the Unemployment Benefit to Individuals With Length of Service Entitling Them to a Pension**

1. For individuals whose total work service, pursuant to the USSR Law on Pension Coverage of Individuals in the USSR, entitles him to a pension (including preferential pensions), the length of the period for payment of the unemployment benefit is increased by two calendar weeks beyond the 26 calendar weeks established for every year of work exceeding pensionable service.

2. Unemployed persons whose total work service entitles them to payment of the unemployment benefit for 52 calendar weeks are entitled to retire early (one year before the date established by legislation).

Legislation of the republics may envisage an increase in the period of early retirement for those categories of individuals, which the republics must finance themselves.

**Article 30. Procedure for Determining the Amount of the Unemployment Benefit**

1. For persons who have lost their employment and earnings (income from work), the unemployment benefit is established in a percentage of the base wage in their previous job, computed as an annual average.

In all other cases, including individuals seeking work for the first time, the unemployment benefit is established in a percentage of the minimum wage.

2. Unemployed persons who have children under age 14 and other dependents are entitled to a larger benefit pursuant to legislation of the republics.

3. In the case of persons living in regions where regional coefficients are applied to the wage, the size of the unemployment benefit is determined for the period of their residence in those regions applying the coefficient established in that region for workers in nonproduction sectors.

4. The amount of the unemployment benefit is subject to indexing in accordance with established procedure.

**Article 31. The Minimum Amount of the Unemployment Benefit for Persons Who Have Lost Their Employment and Earnings**

1. In case of loss of employment and earnings (income from work), individuals entitled to the unemployment benefit are guaranteed its payment in the amount of at least 50 percent of the base wage at their previous place of employment, but not less than the minimum wage established by legislation of the Union of SSR.

2. During the period an individual is receiving the unemployment benefit, the continuity of his work service is not interrupted.

3. Legislation of the republics may envisage an increase in the size of the benefit and a longer period of its payment so as to take into account total length of service, family situation, and other circumstances, which they are to finance from their own resources.

**Article 32. The Minimum Amount of the Unemployment Benefit for Persons Discharged From the Armed Forces**

Individuals discharged from military service in the armed forces and also border, internal, railroad, and other types of forces, and agencies for internal affairs and state security are entitled to receive a benefit under the conditions envisaged by legislation of the Union of SSR.

Here, the amount of the benefit may not be less than the minimum wage established by the Union of SSR.

Legislation of the republics may establish at their own expense more favorable conditions for awarding the benefit.

**Article 33. The Minimum Amount of the Unemployment Benefit for Persons Seeking Work for the First Time**

Individuals seeking work for the first time and entitled to receive an unemployment benefit are guaranteed its payment in the amount of at least 75 percent of the minimum wage established by legislation of the Union of SSR if the employment service has not offered them opportunities for vocational training or job placement.

**Article 34. The Minimum Amount of the Unemployment Benefit for Persons Seeking Employment After a Long Interruption**

Individuals desiring to resume work activity after a prolonged interruption are guaranteed its payment in the following amounts:

a) for persons who have an occupation (specialty), and also persons whose paid employment over the last 12 months amounts to less than 12 calendar weeks, provided they have total work service of at least one year—at least 100 percent during the first 13 calendar

weeks and 75 percent during the succeeding 13 calendar weeks of the minimum wage established by legislation of the Union of SSR, provided that their job placement does not require vocational training, improvement of qualifications, or retraining;

b) in other cases, including persons who do not have an occupation (specialty)—at least 75 percent of the minimum wage established by legislation of the Union of SSR, provided the employment service has not offered opportunities for vocational training.

**Article 35.** The Minimum Amount of the Unemployment Benefit for Persons Who Have Completed Vocational Training and Retraining

Individuals declared unemployed after full-time vocational training and retraining are entitled to receive an unemployment benefit in an amount no less than the minimum wage established by legislation of the Union of SSR and the republics.

**Article 36.** Suspension and Termination of Payment of the Unemployment Benefit

Payment of the unemployment benefit may be suspended for a period up to three months or terminated or its amount reduced in the following cases:

a) if the individual refuses two offers of suitable work or two offers of such work after completion of vocational training (retraining) on referral of the state employment service;

b) if the individual has duly been paid the severance benefit and other payments when he was laid off from the enterprise, institution, or organization, ensuring the recipient partial or temporary reimbursement of earnings lost;

c) discharge on grounds of a breach of work discipline;

d) discharge from the previous place of employment at his own desire and without good cause;

e) job placement in temporary employment during the period of receiving the unemployment benefit without notifying the state employment service;

f) violation of the conditions of Article 28, Point 3, of these Bases;

g) absence of the individual from his permanent place of residence;

h) successful or unsuccessful attempts to obtain unemployment benefits fraudulently.

**Article 37.** Material Assistance

Dependent family members of the unemployed person and also individuals who have lost the right to the unemployment benefit because of expiration of the period established for its payment may be given material and other assistance, including subsidies for housing,

municipal services, and public transportation. The procedure and conditions for providing material and other assistance allocated from the budget of the republic and local soviets of people's deputies are defined by legislation of the republics and decision of local soviets of people's deputies, as well as by collective agreements (contracts).

**Section V. Enforcement and Accountability for Violation of Legislation on Employment of the Population**

**Article 38.** Monitoring Authorities

Enforcement of employment legislation is monitored by soviets of people's deputies, the respective state agencies, trade unions, and the inspectorate of the state employment service.

**Article 39.** Accountability for Violation of Employment Legislation

Legislation of the republics establishes disciplinary, material, administrative, and criminal accountability for violation of employment legislation.

### Pros, Cons of Draft

914F0124C Moscow SELSKAYA ZHIZN in Russian  
9 Jan 91 p 4

[Article by I. Konovalova: "Discussion in the USSR Supreme Soviet: The Pluses and Minuses of Unemployment"]

[Text] As you can well imagine, given all the complexities, disorder, and disasters of our present life, it can be a quite dismal affair if you also lose your job. The statistics indicate that 18-20 percent of the manpower in the country's enterprises at present represent a surplus. Take that in at the same time that in the agricultural sphere, for example, almost one-third of kolkhozes and sovkhozes are weak and losing money. And what is going to happen tomorrow, when enterprises operating inefficiently and at a loss, those that cannot withstand competition under the conditions of the market, begin to close down one after the other?

These and many other questions were raised during discussion in the USSR Supreme Soviet of the draft of the Bases of Employment Legislation of the Union and the Union Republics.

For a long time, the labor market has been identified in the public mind with mass unemployment, with the disaster of large-scale layoffs, and it was therefore regarded as an antipopular phenomenon from which the state had to protect the Soviet citizen. Among the multitude of discoveries, we are now about to make this one as well: the labor market has a great number of favorable characteristics. First, the individual obtains economic freedom, disposes of his own manpower, selecting not only the place of employment, but also his way of life.



The second plus follows from the first. When there is no administrative coercion to work, enterprises and production operations with outdated technologies, bad working conditions, and a low level of the organization of production, risking being left without personnel, will be forced to furnish people everything they need for normal fruitful work. Third: The new law regards manpower as a commodity; in other words, everyone has the right to sell his strength, intelligence, talent, energy, seeking suitable employment for this—suitable from the standpoint of remuneration, work schedule, and social amenities.

The draft of the Bases of legislation envisages prohibiting administrative recruitment to work in any form and the full guarantee of the voluntary nature of labor, which means that every able-bodied person has the right to make the choice, to work or not to work, and to engage in active or inactive forms of activity. It is surprising, but a fact: we will have to forget such terms as the "parasite," the "bird of passage," the "person without a definite place of employment."

But does it not turn out that the state is thus transferring from itself full responsibility for our future onto our shoulders? It is said, once we ourselves are the owners of our own labor, once we have a right to choose employment to our own taste, and we can give ourselves an unlimited vacation, will those who are left without work also be left to themselves? No, the draft of the Bases reinforces preservation of the right to work as the most important right of the individual, the right to suitable paid employment. "Suitable paid employment" is also a new term for us. It states in specific terms the obligation of the state to offer the individual a job in view of his age, occupation, length of service, education, and other circumstances.

During discussion of the draft of the Bases, two points of view emerged as to the very possibility of unemployment. One is based on the experience of the advanced countries, where a minimum level of unemployment is not considered a calamity, but on the contrary it is regarded as a labor pool, a factor for raising productivity, for improvement of discipline, and so on. But our government categorically disagrees with that point of view and pursues a different line of thought in the draft enactment. Because we have been and remain a workers' state, a system must be created which prevents unemployment. But is that realistic?

In any case, it is assumed that the workers laid off in the context of a market economy do not represent surplus manpower, but a kind of reserve labor force which will immediately begin to prepare itself for new employment. The idea is to create a ramified and well-supplied state employment service, which, by contrast with the labor exchanges and job placement bureaus, will help to find people jobs and also analyze the labor market, forecast development of the system of jobs, and furnish vocational guidance.

Employment centers are state organizations. They will, of course, operate as a function of the local situation. And in fact the draft envisages on the whole transferring the absolute majority of functions in regulating the labor market directly to the local level: to settlement, city, rayon, and oblast soviets of people's deputies and their executive committees. This is where a serious fear arises that those very complicated and absolutely new tasks which have been enumerated will be heaped on soviets which have not yet become strong, and for a long time will remain nothing more than a fond wish. There is a need for competent sociologists, of whom, as is well-known, there are only a handful in the country. And for qualified teachers, and for equipment, and for setting up monitoring and recordkeeping?

It must be stated that the law proposes a rather unique way out of this situation for local soviets. It envisages the possibility of soviets stimulating enterprises to create new jobs using taxes, appropriations and credits, and other economic methods. On the other hand, the soviets have a right to institute for all enterprises and organizations in their jurisdiction, regardless of the form of ownership and type of economic activity, quotas for job placement of graduates from schools, former military personnel, disabled persons, women with children, and other individuals in need of support and protection from society, including former prison inmates.

There is also another fundamental consideration. We know that rural areas lack the complicated infrastructure essential to the market. Roughly speaking, we can still produce a product, contrive to grow a crop, but we cannot store it, deliver it, package it, or sell it at a profit. For all practical purposes, only two occupations are developed in rural areas: the machine operator and the milkmaid, when a multitude of occupations are needed. But the draft of the Bases uses the term "new jobs" only in a quantitative sense. So what will be the source or the manner of rebirth of the whole range of village occupations without which normal life there is impossible?

Let us suppose that up until now a man has worked as a tractor operator under the whip. He has shown no talent or joy in his work, but at the same time an enterprising consumer lives inside him, that very person who is missing in our country at present, when as much as 40 percent of the harvest rots. Will he be able on his own to organize his own business? And what if he decides to open a private boarding school for the children of private farmers or a home for the elderly, or a cafe? To make lace, to dress hides, to weave cloth, to make furniture.... There will be a great many people who want to start a useful and lucrative business. In the West, the state actually helps such people adapt to enterprise, to find an empty social niche; the state helps with both resources and advice and also vigorous action. It is a pity, but the draft of the new law still states the goal of our country to be avoiding the unemployed instead of trying to raise up a thoroughly competent class of rural craftsmen and help those who have decided to start their own business.

What will the problem of employment cost? If will cost the country approximately 12 billion rubles [R]. Where will that money come from? As usual, some people have proposed putting the hands once again into the pocket of the state budget. But the International Labor Organization proposes on the basis of worldwide experience that it be financed from contributions of enterprises that would be a percentage of wages. We will apparently have our own version, which is a bit different: This fund will be formed both at the expense of enterprises and also from the budget, and the procentual relationship will be determined by legislation of the union republics.

The system of material support, the size of the unemployment benefit, and the length of the period it is paid aroused the greatest disagreements. V. Shcherbakov, chairman of the USSR State Committee for Labor and Social Problems, expressed fears that are not without substance that there are an immense number of people in the country who do not want to work at all and will not accept an offer to work under any conditions, but will gladly accept the benefit. Incidentally, it turns out that in the West approximately 60 percent of the unemployed have never worked in their lives and do not want to work, and the size of the unemployment benefit suits them perfectly. In our country, where social dependency has flourished like flowers after a rain, it does not seem we have reason to expect anything better. The average wage in our country is R260. If the benefit, as the AUCCTU [All-Union Central Council of Trade Unions] is insisting, amounts to 70 percent, that is, R180-190, will it not turn out that society itself is encouraging artificial unemployment because people will face a doubtful choice—whether to work for 250 or to remain idle for 190? The government is insisting that under Article 15 of the ILO Convention unemployment benefits will be fixed at at least 50 percent of the previous wage. Every republic can subsequently regulate this minimum in accordance with its own capabilities.

The deputies came up against difficulties in discussing literally every point of the draft of the Bases. And it is no wonder—the problem of unemployment is an absolutely new problem for us, and it is not to be solved with a single assault. The Bases of Legislation of the Union of SSR and the Union Republics on Employment of the Population were adopted on the first reading, work on the document will continue in the next session of the USSR Supreme Soviet, which is beginning.

### **Ukrainian Labor Minister on Worker Protection Measures**

914F0112A Kiev RADYANSKA UKRAYINA  
in Ukrainian 6 Nov 90 pp 1,2

[Article by V. Vasylenko, Minister of Labor of the Ukrainian SSR: "People, Work, the Market: Thoughts about How to Protect Workers at the Threshold of Unemployment"]

[Text] At present, there is constant talk about the market among various elements of our society. Some consider it a panacea for all ills. Others bring up fears of unemployment and lack of social protection in the future.

As everyone knows, there cannot be a market without a labor market.

We can already say with certainty that its formation may be influenced by an evident excess of manpower. And more precisely the unsatisfactory use of it within working enterprises, structural upheavals, conversion, the shutdown of unprofitable enterprises, decline in production and industrial construction. Add to this the reduction of the government apparatus, cessation of production that is ecologically harmful, reduction of the Armed Forces and their relocation.

In this regard, it should be noted that the closure of unprofitable concerns and factories, reorganization of government structures and breakdown of economic links have already caused some workers to be dismissed. This has affected mainly women workers.

In the heavy-industry sector, we already need to think about establishing additional concerns for the production of consumer goods, as well as putting into effect a number of other measures. This is not a simple matter. It needs to be worked on seriously both by central and local government bodies and by scholars.

The 1991 outlook with regard to the labor market requires that we focus attention on questions of advance preparation of workers who are being dismissed and the unemployed population, and direct towards these goals more than half of the monies in the employment assistance fund, which should be created. This means that retraining will be done at state cost. And those who are undergoing retraining will receive a stipend. Particular emphasis will be placed on the quality of the preparation. How do we intend to carry out the retraining of personnel?

First of all, it must be noted that this process will be closely linked to essential changes in the structure of the national economy, that is, with the increased importance of the service and consumer goods production sectors. In the first phase, we will make agreements with various educational institutions, which are subject to departmental authority, and which are not always used to full capacity. This will make it possible to retrain about 370-450 thousand workers and 150-180 thousand specialists each year.

For the future, we also intend to organize a system of retraining of personnel on the spot in places of work.

In order to deal with the difficult problems of professional orientation, retraining of personnel, finding work for those who are dismissed and payment of unemployment assistance, a government employment service should be created on the basis of the existing employment service.

It must be openly admitted: most of the presently-existing services are not capable of fully dealing with the tasks that face them. Over twenty years of their existence, they have been serving not people, but the enterprises upon which they have been financially dependent.

We should also add that at present, there are employment services in only half of the cities and rayons of the republic. They have one employee for every 23.7 thousand inhabitants. With the new functions, such a work load will be excessive. It is 20 times greater than, for example, in Switzerland, and nine times greater than in Australia.

The physical conditions of the employment bureaus are also unsatisfactory. Almost half of them are situated on the outskirts of cities, far from lines of transport, in premises that are not suitable. They are not adapted for receiving citizens and have bad telephone links. Only 14 out of 750 are computerized. Naturally, it is unlikely that good specialists will agree to work in such places. And yet the present personnel needs to be strengthened with highly-qualified psychologists, sociologists, lawyers, economists. Still the situation is far from hopeless. Understanding the seriousness of the problem and their responsibility to the people, directors in the Dnipropetrovsk, Mykolaev, Odessa and some other oblasts are trying to find funds for the technical equipment of future employment centers. We believe that in other oblasts, cities and rayons, people will also become aware of the seriousness of this issue.

For its part, the Ministry of Labor is dealing with the main problems of the organization of a state employment service, the creation of its normal base. In cooperation with other government bodies and leading scholars, we have prepared proposals, in particular, the draft law on employment and the draft resolution of the Supreme Soviet of the republic on the social protection of the citizens of the Ukraine in relation to the transition to the market system. We have also elaborated mechanisms for the implementation of these legislative acts.

I think that in the conditions of the phased introduction of the market, it is extremely important to predict the direction of social development in the republic. Very important is the elaboration and periodic examination of scientifically-based social norms, the social protection of the interests of women, youth, people of pre-pension age and the needy elements of the population.

We intend to build the whole system of social protection on a differential approach to different social-demographic groups, depending on the degree of their economic independence, employment and potential for improving their living standard. The system of social protection should include state guarantees of hired labor, compensation to the population for losses tied to the sudden increase of prices, indexation of wages in relation to present price increases and maintenance of the living standard of poorly-protected citizens and families with children.

The first task is to work out a republican program of state assistance for poorly-protected elements of society. This group includes every second large family, every fourth young couple, and every third family of pensioners. A further step will be to raise the average level of income of poorly-protected elements of society to the level legally set as the minimal consumer budget; this will be the basis for all accounting with regard to the social protection of citizens.

At present, 1.7 million people work in concerns which do not meet work protection standards and conditions. More than 60 rubles per year per working person are spent for improvement of working conditions. In addition, every year, compensation of close to one billion rubles is paid for unfavorable conditions. But practice shows that paying a "ransom" does not eliminate working conditions that are harmful to people's health. There is also the fact that some enterprises, fearing bankruptcy, are cutting spending for this purpose.

How can we counter this?

Of course, it is essential to work out an economic mechanism of stimulation of enterprises, the application of which will make it undesirable to maintain concerns with unsatisfactory working conditions. The idea of economic and legal responsibility for creating healthy and safe working conditions should be made part of the "Law of the Ukrainian SSR on Work Protection."

A state body of experts on working conditions, which would base itself on laboratory data, could help in objectively determining the state of concerns and increasing control over their being brought up to standard. We, in cooperation with other organizations, are presently working on the establishment of such a body. It is true that even at present, there is departmental control; however, its effectiveness is low.

A few words about wages.

The main responsibility in this sphere of activity is now being transferred to the level of enterprises. In our view, state regulation of wages should be reduced to setting the lower limit of rates of pay. This would guarantee the worker a living minimum (the minimum consumer budget). In addition, every enterprise or organization will have the right to set their lower limits of rates of pay. But these can only be higher than the legally established rate in the republic.

Control over wages will be exercised not by the Ministry of Labor, but the economy itself. It should be noted that the lack of an acting economic mechanism of control over the appropriateness of wages paid and production has led to the fact that often wages have continued to grow even with a decline in production.

With the introduction of competition and properly planned taxation, such situations will no longer occur. But for competition to begin to function, the very difficult task of the demonopolization of production

must be done. As we can see, the questions of employment and the social protection of people in market conditions are taking on great importance. In order to deal with them, large sums of money are needed. The way to raise the money is to increase production by means of highly-productive work. The demographic situation in the republic also makes this essential. Today for every 1000 people there are 380 pensioners; in 1995, there will be 410.

But at present something else is happening: a decline in production, productivity of labor, discipline, order and responsibility. And thus, also in the economic possibility of increasing the social protection of the population. In many concerns we see the growth of the consumer mentality, group egoism. Millions of person-days of working time are lost to strikes. Sometimes, meetings and demonstrations are held during work hours.

Yet I cannot think of even one action of this type taking place under the slogan of improving the economy through highly-productive work and increase of discipline. To close our eyes and not see these facts for what they are is impossible. This would mean further complicating a difficult economic situation, making it practically impossible to implement measures for the social protection of the population. I am convinced that real democracy is unthinkable without discipline in society and respect for the law.

Given the situation which has developed, I am deeply convinced that one thing must be understood: only conscientious, highly-productive work by all the people of the Ukraine (and nothing else) will save the republic.

That is why the Ministry of Labor of the Ukrainian SSR is focusing attention on discovering new, more effective forms of organization of production and work and dissemination of the best experience. For example, leasing has proved to be a positive method. In concerns that are leased, work productivity is one-and-a-half times higher than average in republican farms. At the collective farm

"Leninska Iskra," in the Tysmenytsia rayon of the Ivano-Frankovsk oblast, which is headed by D.M. Paliy, work productivity has increased by a factor of 2.2, and wages by a factor of 1.6.

Leasing was introduced at this collective farm in 1986. In 1988, an association was established encompassing 56 lease cooperatives. We have in place here an entire system of material responsibility for the end results of work—from the collective farm as a whole to every worker. The collective farm turned out to have sufficient labor of its own. It declined to take on outside workers.

Applying progressive forms of management, many other concerns, even in conditions of economic decline, are working very productively and rhythmically and are successfully dealing with problems of improving the effectiveness of production and social development. These include the Chernovtsy "Polimer" factory, the Cherkassy sewing union, the Khmelnytsky house-building combine, the "Sevastopozhytlobud" construction manufacturing union and others.

In my view, the mass media should pay more attention to these success stories and make them more widely known, as well as feature ordinary workers more often.

In conclusion, I would like to say this: market conditions are an issue that is not only difficult, but, speaking frankly, for our generation, largely theoretical. That is why in our preparatory work we are taking account of foreign experience and that of other republics, as well as the advice of scholars and managers.

Nevertheless, the greatest part of the work of shifting to the market system, with all its problems and processes, has to be done directly in places of work, and in rayon, city and oblast councils. It is there that the success of the cause of increasing the material well-being of every member of the population will be decided.

P.S. Please donate the honorarium for this article to the "Children of Chernobyl" fund.

## MOTOR VEHICLES, HIGHWAYS

### VAZ, General Motors Agreement Examined

914H0092A Moscow ZA RULEM in Russian No 11,  
Nov 90 p 7

[Unattributed article under the rubric "The Automobile and the Environment": "VAZ + General Motors = Agreement That Will Ensure the Ecological Safety of Lada Automobiles"]

[Text] In accordance with the signed document, the American side will supply the Volga Auto Works (VAZ) with catalytic converters for exhaust systems and component parts for engines that ensure more efficient fuel combustion; the agreement covers five years, starting in 1992, until the USSR starts its own production of these components. In the future, VAZ is planning to produce these components on its own.

THE NEW YORK TIMES newspaper believes that this agreement indicates the Soviet Union's desire to become integrated into the world economic system. Correspondent D. Levin, reporting on the contract from Detroit, emphasized that in 1989 the Ford Motor Company decided not to enter into an agreement to develop passenger car production at the Volga Auto Works because of the uncertain financial situation in the USSR. General Motors is not putting as much investment at risk as Ford would have done. In the newspaper's opinion, the economic might of General Motors, although not limitless, is still greater than that of Ford, and this guarantees the feasibility of the deal.

Total deliveries of the component parts for VAZ, as stipulated in the signed agreement, are valued at about \$1 billion. They will allow the Lada to be brought up to the level of European and world environmental standards. This, in turn, will make it possible to expand exports to the Western countries and to earn hard currency that is so much needed for the modernization of VAZ automobiles and for production expansion.

Details related to the signed agreements had been published in the plant newspaper VOLZHSKIY AVTOSTROITEL. Below are some excerpts from an article on this topic.

The purpose of the agreement is to set up in the USSR production of systems that control the operation of internal combustion engines in passenger cars (fuel injection and electronic ignition) and catalytic converters. The American side offered us their designs, which have been developed over the years and into which considerable means and the intellectual potential of specialists has been invested. The entire complex of this scientific and technical design is protected by several hundred patents.

The signing of this agreement was speeded up to a considerable degree by the fact that in 1992-1993 most West European countries will introduce new, stricter

environmental safety standards for automobiles. Even the latest models of today's Ladas do not meet these standards. It follows that VAZ as a company is in danger of losing this export market. And, finally, does not the Soviet consumer need a "clean" automobile?

At first—to be precise, during the next few months—VAZ will modify the engine control systems on its cars. By the way, they will be installed on practically all models. After testing comes official prototype certification, that is, making sure that the equipment meets international standards. Then, starting in 1992-1993, assembly line production with new components will start.

At the same time it is planned to begin preparations for the production of "environmentally clean systems," licensed from the United States, at the Togliatti Auto Works and the Dimitrovograd automotive components plant (the latter is a part of the AutoVAZ conglomeration). It is possible that some enterprises of the military-industrial complex will want to get involved in making the components. Given the direction towards the conversion, these enterprises—known for their high quality of production process—offer great opportunities.

Putting new components into production is not limited to overcoming technological difficulties. There will also be exploitation problems to be resolved: the costly catalytic converter fails quickly if it is used with leaded gasoline. It is also necessary to solve in advance the problem of producing diagnostic equipment for servicing fuel injection and electronic ignition systems, and supplying them to automotive service stations.

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"Patriot", "Za Rulem," 1990

### Motor Vehicle Statistics Listed

914H0092B Moscow ZA RULEM in Russian No 11,  
Nov 90 p 15

[Unattributed statistical information on automotive sales]

[Text] According to Glavkultbytorg [Main Administration for Sales of Goods for Cultural and Everyday Needs] of the USSR Ministry of Trade, the total number of passenger cars delivered to the sales network in 1989 was 710,520 units. The distribution by automotive plant was as follows:

Volga Automotive Works: 381,594 units (models VAZ-2104, VAZ-2105, VAZ-21063, VAZ-2107, VAZ-2108, VAZ-2109, VAZ-2121).

Izh-Mash Production conglomeration: 133,750\* units (models IZh-412-028, IZh-21215).

Kommunar Zaporozhye Auto Works: 92,763 units (models ZAZ-968M and modifications, ZAZ-1102).



Automotive Plant imeni Leninskogo Komsomola: 62,675 units (models Moskvich-2141 and Moskvich-21412).

Gorkiy Auto Works: 18,218 units (models GAZ-24-10, GAZ-24-12).

Lutsk Auto Works: 13,316 units (model LuAZ-969M).

Ulyanovsk Auto Works: 8,204 units (model UAZ-31512).

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The total stock of motorcycles, motor scooters, and mopeds for sale in 1989 was 1,328,697 units, including imports. The distribution was as follows:

Izh-Mash Production conglomeration: 342,970 units, including:

IZh-7.107 "Planeta-5"	68,900
IZh-7.108 "Planeta-5K"	68,000*
IZh-6.113-01 "Yupiter-5-01"	17,000
IZh-6.114-01 "Yupiter-5-01K"	189,070

Minsk Motorcycle and Bicycle Plant: 220,000 units (model MMBZ-3.112.11).

Riga Motor Works Sarkana Zvaigene—173,140 units, including:

RMZ-1.413 "Riga-13"	104,100
RMZ-2.124 "Delta"	51,840
RMZ-2.130 "Mini"	17,200

Lvov Motor Works: 125,257 units (model LMZ-2.161 "Karpaty-2").

Kovrov Machine Building Work imeni B.A. Degtyareva: 123,800 units (model "Voskhod-3M").

Irbitsk Motorcycle Works: 114,730 units (model IMZ-8.103.10 "Ural").

Kiev Motorcycle Works: 102,000 units (models KMZ-8.155 "Dnepr-11" and KMZ-8.922 "Dnepr-16")

Tula Machine Building Plant imeni V.M. Ryabikov: 64,800 units, including:

TMZ-5.952 "Tula"	12,000
"Muravey-2M-01"	48,000
TMZ-5.301.02 "Tulitsa-02M"	4,800*
Motorcycles YaVA-638 (Czechoslovakia)	62,000

\*The volume of sales exceeds the volume of production (see ZA RULEM, No 7, 1990) because of the remaining stocks of models produced in 1988.

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## RAIL SYSTEMS

### Railroads' Problems, Performance Noted

914H0087A Moscow GUDOK in Russian 17, 19, 23 Jan 91 p 1

[Article in three installments by V. Chibinsov: "Roll-Call of Mainlines"]

[17 Jan, p 1]

[Text]

#### Far Eastern Railroad

The railroad was "choked" with export and transshipment freight during the first half of January. Part of it was on rolling stock at port and border stations. The major amount was abandoned on trains whose total approximated 150. The mainline now has more than 6,700 railcars with freight for Far Eastern ports—more than double the norm.

The usual transport clot is the result of a whole series of circumstances. In particular, the stormy weather at the beginning of the year, when communications were disrupted between the mainland and Sakhalin for several days, had an effect. The main reason for the demurrage, however, is the constant shortage of shipping and the failure to match up the plans of three union ministries: The Ministry of Railways, the Ministry of Maritime Fleet and the Ministry of Foreign Economic Relations. Finally, there is elementary irresponsibility. Thus, in the port of Vostochnyy, the coal dump's capacity has been used by less than a third; motor vessels stand in line for loading but the port workers only handle 270-300 railcars with solid fuel a day when the plan calls for 450.

#### South Urals Railroad

The railroad began January with an indebtedness in loading. This was linked to supply by the customer. The latter turned out to be unprepared to enter upon a normal rhythm immediately after the holidays.

Even in December the Dubinovskiy gypsum mine dragged out the dispatch of approximately 300 railcars. The problem continued in the new year. The Magnitogorskiy, Korkinskiy and Katav-Ivanovskiy cement plants were on starvation rations.

The Chelyabinskii Forest and Timber Cutting Production Association also let down. It refused to dispatch lumber on days off, holidays and during the nighttime. The lumber facilities, which service the Zlatoust Division, either do not submit requests or refuse rolling stock in general. You see, they will immediately demand after the drive all the missing railcars which the railroad will not be able to allocate—and they will begin to accuse the railroad workers again.

\* \* \*

A total of 103 cases of waste in the work of the South Urals workers occurred during the first two weeks of January—1.5-fold more than during the same period of last year. Two derailments of railcars on trains have occurred; 11—during shunting operations; and 10 collisions of rolling stock.

The discipline of the railroad workers has decreased noticeably and this has led to massive violations of safety rules and instructions. A 100-car empty consist with blocked end valves was dispatched from Yakhin to Chelyabinsk. This criminal dereliction of duty was discovered only after 200 kilometers. On the Aydyrlya-Baytuk section, an electric locomotive engineer, Bayev, received a message from an oncoming engineer about sparking on the consist. Having taken the advice of the assistant station master (he said it was possible to proceed calmly), he brought the train to the station. There, it turned out that a truck on one of the cars had been dislodged and the pin lost.

#### Odessa Railroad

The railroad has dispatched more than 177,000 tons of national economic freight a day—3,000 tons more than the plan. From the first days of the year, however, the railroad has been able to dispatch almost 110,000 tons in addition to the plan under difficult conditions.

As an analysis showed, far from all reserves were being fully used and its customers often let it down. Recently, the mainline has not managed to cope with dispatching products according to the product list. A catastrophic situation has taken shape in the delivery of construction materials. In the Kanetspol'skiy and Chausov'skiy open-cast mines alone, 280 empty railcars stood idle for days. The reason was—no raw material.

[19 Jan, p 1]

[Text]

#### Southeastern Railroad

The directors of the mainline and the railroad's trade union have analyzed possible versions for the economic activity of divisions and enterprises under market economy conditions. In connection with the proposed 10-20 percent decrease in freight turnover, the financial position of all services will be extremely strained. Particularly large problems will arise in the local transport of passengers, especially on the Michurinsk Division.

Here, they incurred losses of four million rubles during 1990. The present price increases in electrical energy and diesel fuel will increase this amount to 11 million. How can one reduce expenditures, find additional profit and preserve jobs?

Judging from the reports of the division commanders, it is practically impossible to make ends meet. The twofold increase in payments for the services of relaxation rooms

and for mothers and children, the abolition of the tourist train and its "change" into a passenger one to Moscow, the opening of additional ticket offices, the return of traveling cashiers after the Belorussian experiment—these and other measures will bring in considerable income but this will be very far from the required amount. To all appearances, the division leaders are now availing themselves of the right that has now been granted them to raise the cost of a trip on suburban electric trains and diesel trains. The whole question is: Will the Tambov Oblast Soviet of People's Deputies ispolkom agree to this step. According to the estimates of specialists, you see, the price of tickets would be increased sixfold.

#### Transbaykal Railroad

GUdok has already reported that the power supply in Chita Oblast is on the verge of catastrophe—the slightest malfunction in the operation of the system is sufficient. This interruption has occurred. One of the station's units has been put out of operation as a result of an accident at the Gusinozerskaya GRES (State Regional Electric Power Station) in Buryatia. The malfunction in the system led to the closing of a turbo-generator set stop valve at Chitinskaya TETs-1 (Heat and Electric Power Station-1).

The irreplaceable shortage of power capacity reached 230 megawatts. The majority of the enterprises in Chita Oblast shifted to emergency reserves on 17 January, that is, they have ceased to produce products.

On the railroad, the electrical power supply to the catenary system from Petrovskiy Zavod to Chernyshevskaya-Zabaykalskiy was shut off for one and a half hours. Train traffic completely halted during this time. The railroad is now operating but its stoppage is possible at any time. The oblast center is now actually living in a "state of siege"—only important life-support systems are being supplied with power.

#### Gorkiy Railroad

The railroad's locomotive workers are showing a concern for raising their professional skill. Approximately 600 engineers improved their skill rating and 700 assistants received the right to operate electric and diesel locomotives in a little more than a year.

This could not fail to affect the quality of operating work: Defects in train operations were reduced by a third and over-time work by locomotive crews was reduced.

#### Krasnoyarsk Railroad

An order from the railroad's chief has commended the workers at coal loading stations, dispatching collectives and the mainline's divisions for their successes in shipping coal.

Due to the increased flow of empties to the miners and the more organized preparation and repairs of gondola

cars, the Krasnoyarsk Railroad dispatched more than 200,000 tons of fuel above its quota during the first 15 days of January.

[23 Jan, p 1]

[Text]

#### **Gorkiy Railroad**

More than 2,000 freight cars were damaged at stations and enterprise sidings during last year and January of this year. It is especially bad on the Kazan, Murom and Gorkiy divisions. The cause of the damages is the violation of rolling stock operating practices, the failure to observe shunting operations rules, and the high speed in breaking up trains at humps. The Gorkiy-Marshalling, Murom and Yudino station collectives are "leading" in this.... The guilty parties are not always being made answerable.

The Volgo-Vyatskiy transport procurator has submitted to the railroad director a proposal concerning the failure to observe the requirements in the USSR Council of Ministers decree on the safekeeping of the railcar pool.

#### **Baykal-Amur Railroad**

A train with dangerous cargo was traveling through the Lopcha station. A tank car with alkyl benzene was in the consist. A lower drain valve on it was defective. V. Klopotovskiy, the VOXR [paramilitary security] department chief, noticed the flow. He immediately informed the assistant station-master about the emergency situation and, along with A. Mazurik and A. Pogosyan, railcar inspectors, began to eliminate the trouble. All three felt ill after a while. The assistant station-master came to their assistance—he brought gas masks in time. The leak was eliminated and the area was decontaminated. The train continued its trip.

#### **Southern Railroad**

The demurrage times of containers have been sharply reduced at the stations in the Kharkov hub. The establishment of a staff to monitor the timely unloading of goods has contributed to this. The staff is under the city's soviet of people's deputies ispolkom.

The staff has selected a simple and reliable operating principle. Those recipients, who do not want to remove their cargo from a station in a timely manner, forfeit it and those, who can do it, receive the right to remove the cargo. As a result, for example, railcars with lumber, which had arrived for the SKIF cooperative and which had stood idle at the Kharkov-Chervonozavodskiy Station for about a month, were transferred to the Kharkovspetsstroy Trust. Containers with vacuum cleaners, which had stood idle for a long time waiting for workers from the Ukroblkhochtorg base, were readdressed to the Ukraina department store. The directors of Brewery No 2 accompanied "their" sugar with a glance. The city's trade administration became its owner.

This measure is, of course, necessary; only this has eliminated the holdups. You see, about 2,000 tons of consumer goods: footwear, clothing, food, and medicines, were at the Kharkov freight station alone. They have now taken their place on store shelves.

The staff has permitted station chiefs on the Kharkov Division to sell all the freight, which a consignee has not removed after 10 days, to the city's enterprises and organizations.

#### **East Siberian Railroad**

A total of 500 students at the Irkutsk Higher Aviation Technical School expressed the desire to help unload railcars that had stood idle at the hub for a long time. The receiving enterprises, as a rule, cite a shortage of working hands, the cold, ...; however, the usual red tape and a reluctance to accept assistance, which is so important for the city, awaited the students who were prepared to work for state wage-rates. A representative of the school's headquarters reported that their delegation went around in circles for more than half a month: to party and Komsomol gorkoms and the gorispolkom. However, no good came of it.

#### **Problems Creating Independent Republic Railroads Cited**

*914H0089A Moscow GUDOK in Russian 11 Jan 91 p 2*

[Article by A. Vaygel, chief of the organizational structures improvement department: "The Minister of Latvia Is Against the 'Iron' Monster."]

[Text] Having examined the interview with Ya. Yanovskis, the minister of Latvia, which was published in the GUDOK newspaper on 22 November 1990, the USSR Ministry of Railways notes with satisfaction that rail transport on the republic's territory "is meeting the complete freight and passenger shipping volume." Consequently, the appropriate material and technical base exists for this and the necessary personnel potential has been established.

However, the statement that "departments, especially the USSR Ministry of Railways, are ignoring the republics' interests" was made at the beginning of the interview. How could rail transport in the republic satisfy shipping requirements for a protracted time if considerable assets were not invested in it annually? At the expense of other railroads primarily located on the territory of Russia. The Baltic Railroad receives an additional 65.2 kopecks of subsidies for each ruble it earns in transit shipment income. This is no less than 100 million rubles a year.

Thanks to this, the majority of the indicators which describe the condition and technical equipping of the Baltic Railroad are higher than the network's average. This is possible only because the country's railroad network is a unified production economic complex which operates with common technologies. What is the

basis for concluding that common statutes and common norms, with whose help these frontiers have been reached, have become obsolete?

The existing unity of the network provides enormous savings in operating expenditures because it permits the production infrastructure to be sited logically regardless of the administrative territorial division of the regions.

For example, all railroad repair capacities are located on the Baltic Railroad—on the territory of Latvia. If a republic railroad is established and everything is transferred to Latvia's ownership, how can the repair of equipment be assured in Lithuania and Estonia? The answer—"on a contract basis"—can follow. However, a contract is not a duty. It is effective only if there is agreement between the contracting parties. In this case, each of them will try to achieve the greatest benefit for itself, solving its own problems primarily. It is not difficult to guess the consequences if relations go bad. Therefore, the desire of each republic to establish its own capabilities for repairing and maintaining technical equipment will be fully justified.

Economists calculate that the division of the Baltic Railroad into three republic ones will lead to an additional expenditure of 93 million rubles. Not one of these republics has such free assets.

In connection with this and guided by the interests of the national economy, the USSR Ministry of Railways cannot agree with the transfer of rail transport to republic ownership. It is convinced of the need to strengthen and not break up the railroads.

A special instruction from N. S. Konarev, the minister of railways, was issued on 14 December to insure the normal operation of rail transport in the Baltic area.

At the same time, with the independence of the republics and under the new economic conditions where part of the incomes of railroad enterprises are transferred to local budgets, very close cooperation with the republics' transport management agencies is required. Questions concerning future expansion, problems in eliminating bottlenecks and the priority use of existing limited resources, the development of the social area and the protection of the railroad workers interests must be solved together with them. The Ministry of Railways understands the importance of this cooperation and is reorganizing its work in this area.

Concerning the use of the Russian language in official discussions, the following change has been made in the PTE [Technical Operating Rules] in accordance with the USSR law "On the Languages of the USSR Peoples":

"When carrying out dispatching conversations and compiling documents, rail transport workers use the official language of the USSR—Russian.

"Under dispatching conversations one must understand all official discussions connected with organizing and ensuring the shipping process."

In our opinion, the range of application of the Russian language is strictly and specifically outlined.

### Railway Modernization Program Begins

914H0084A Moscow PUT I PUTEVOYE KHOZYAY-STVO in Russian No 12, Dec 90 p 2

[Unattributed article: "The Program Has Been Approved"]

[Text] In its Decree No 1001 dated 11 October 1990 the Council of Ministers approved the Program for Re-equipping and Modernizing USSR Railroads During 1991-2000. The USSR Gosplan [State Planning Committee], USSR Ministry of Railways, USSR Council of Ministers Bureau for Machine Building, USSR State Committee for Science and Technology, USSR Academy of Sciences, USSR Gosstroy [State Construction Committee, and USSR Gossnab [State Committee for Material and Technical Supply], working with USSR Supreme Soviet commissions, interested ministries and departments, the railroads, industrial enterprises, and construction organizations, compiled it.

The program provides for:

- strengthening rail transport communications in oblasts and krais, between economic rayons and republics and with foreign countries, improving the supplying of rail transport to the country's national economy and population, raising the quality of transport services;
- improving technologies and the management of rail transport operations—expanding advanced transportation systems, improving the maintenance and repair of transport's technical systems, carrying out a series of measures to insure train traffic safety and the mechanization and automation of the basic technological processes and management;
- updating and replenishing rail transport's technical assets; increasing the delivery of electric locomotives 1.5-fold, freight cars 1.3-fold, passenger cars 1.5-fold, track machines 2.5-fold, and wooden ties 1.3-fold during the 13th Five Year Plan when compared to the 12th;
- expanding the social area's material base by constructing and commissioning during 1991-2000 housing with a total area of 33 million square meters, preschool institutions with 130,300 places, schools with 254,600 student seats, hospitals with 37,200 beds, and polyclinics for 155,600 visits per shift and by increasing the construction of vocational training schools, technical schools, technical secondary schools, pioneer camps, sports structures, cultural objects, holiday camps, and other installations;
- conducting research on the most important scientific problems, designing new equipment and materials for

rail transport, modernizing test facilities, and developing resource-saving technologies;

- building up and modernizing the capacities of machine building enterprises, electrical engineering and metallurgical industries and the building material industry for producing rolling stock and the most important items for rail transport.

In this decree, the USSR Council of Ministers instructed the USSR Ministry of Railways, USSR Ministry of Heavy Machine Building, USSR Ministry of the Electrical Equipment Industry and Instrument Making, USSR Ministry of Metallurgy, USSR Ministry of the Timber Industry, USSR Ministry of the Defense Industry, USSR Ministry of Automotive and Agricultural Machine Building, USSR Ministry of the Machine Tool and Tool Building Industry, USSR Ministry of Transport Construction, USSR Ministry of Communications, USSR Ministry of Power and Electrification, Energomash interbranch state association, Soyuzstroy-materialov State Association, and other interested ministries, interbranch state associations, state concerns and associations to allot capital investment allocations for construction, assembly and contract work and the material, technical and financial resources required to carry out the planned work volumes when they compile plans for 1991-1995.

The USSR Gosplan and USSR Ministry of Finance were charged with finding assets in the union budget that are required to realize the program's measures directed toward solving all-union and all-branch tasks.

The USSR Council of Ministers recommended that the governments of the union and autonomous republics and the executive committees of the oblast and kray soviets of peoples deputies:

- direct a portion of local and republic budget assets toward expanding rail transport facilities in order to improve the servicing of the population and enterprises in the oblast, krays and autonomous and union republics;
- provide assistance to rail transport enterprises and organizations in performing the work planned in the program by subordinate organizations;
- examine and resolve questions concerning the expansion of local and regional rail communications working with the USSR Ministry of Railways.

As has already been pointed out, the program provides for a 2.5-fold increase in the delivery of track machines. By introducing machinery sets, the level of work mechanization in routine track maintenance should increase in 1995 to 46 percent and in the year 2000 to 52 percent, and major track repairs up to 89 percent and 93 percent, respectively.

It is envisaged that the following will be developed: a third generation VPR-03 straightening, tamping and aligning machine with a capacity (when smoothing out

the track) of up to 1,800-2,000 ties per hour; an R-02 automated aligning machine with a capacity of up to 2.4 kilometers per hour; a second generation PMG-02 motorized power nut-driver with a capacity of up to 11,800 nuts an hour. Moreover, the delivery of ballast tamping machines (BUM-02) and machines for driving spikes and ferrying ties (MDK and MPShe) and a high speed ballast cutter (BPP) is also provided for. The designing of radically new equipment for a high-speed non-destructive inspection car and a new rail grinding train with active operating elements is also planned.

The program devotes a great deal of attention to designing a track repair machine complex. This will primarily consist of machines for gathering and cleaning ballast on the track and on switches.

The technical goal is to bring the productivity of the ShchOM-5 complex for cleaning crushed stone to 2,500 cubic centimeters per hour with a ballast cut depth of up to 400 millimeters and to 600 cubic meters per hour on switches. The loading of the dirty ballast into rolling stock is envisaged.

The program decided to increase the level of mechanization in snow removal. Thus, the productivity of the new PSU-1 snow removal unified train will be increased by more than 30 percent when compared to the SM-2. The SPU-NV snow remover will be able to clear the track of snow up to 1.5 meters deep.

Ministry of Railways plants will also produce different machines which will permit the level of the track facilities' equipping and train traffic safety to be raised a considerable degree and the work of track personnel to be made easier when the tasks in the program are fulfilled.

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#### **Railway Passenger Car Production Reviewed** *914H0088A GUDOK in Russian 14 Dec 90 p 1*

[Article by L. Kizilova: "What Are You, Guests, Hagglng About?"]

[Text] The passenger car production has never satisfied the demand in our country. Generally speaking, our industry has not manufactured compartment carriages. The way out of this is known: purchase them abroad.

Our country's constant trade partner—the GDR—is now part of a single Germany. The former group of enterprises, which produced railcars for the USSR, has been transferred to the Deutsche Wagenbau Aktionsgesellschaft (DWA) concern. At the present time, the composition of the DWA includes five railcar building plants with a production capacity of 4,500 railcars a year and enterprise subsuppliers that produce important components for building railcars.



How will trade relations take shape with the new and very familiar partner? What are their prospects? The discussion concerned this at a press conference held on 11 December.

Gunter Gross, DWA board chairman, recalled the traditions of the business cooperation: our German colleagues manufactured approximately 30,000 passenger and 40,000 refrigerator cars for us during 40 years.

Mr Gross said: "I think that we have a common future."

The Ministry of Railways, Mashinostroyeniye and USSR Gosplan [State Planning Committee] have recently performed definite work in planning purchases of railcars during 1991. It resulted in the signing last week of an agreement to deliver 962 passenger and 240 refrigerator cars.

A significant item was our German partner's proposals were on a considerably greater scale—1,022 passenger and 1,400 refrigerator cars. The cars are, of course, needed but there is nothing to purchase them with.

It is no accident that a GUDOK correspondent posed the question: "Did the price of a passenger car change and, if it did, how was this connected with technical updating and construction and quality improvements?" Although Mr Gross tried rather evasively to explain the increased price by the nuances of currency rates, a fact remains a fact: a railcar has become much more expensive—the very same railcar. Incidentally, G. Gross pointed out: "If DWA offers new equipment of improved quality, it will be sold at a higher (in comparison with the present) price."

For reference: the price of an air conditioned compartment car, for example, increased almost threefold in 1991. It is no wonder that this has caused the Soviet side difficulties. When answering the price question, Mr Gross admitted: "We discussed the question an hour ago in Gosplan and were not able to agree on one point"—that is, on this question.

Let us point out that mutual interest exists in the cooperation. The DWA board chairman made himself more precise: "If this green light is put out for us, it means the loss of a large number of jobs." There is something to think about here: The interest is mutual but strict conditions are set for us.

The DWA packet of proposals did not contain only railcar deliveries. Our German colleagues want to participate in reconstructing Soviet enterprises involved with the repair and production of rolling stock. Other forms of cooperation are also being outlined: the establishment of joint enterprises based on plants in Ammendorf and Tver—so as to use modern technologies, equipment and management in Tver. Questions concerning the designing of components for railcar building were also discussed with the leadership of the Ministry of Railways. DWA is also proposing that Soviet railroad and other enterprises participate in the work of the

railcar building plants in Ammendorf and Dessau and in the establishment of a joint-stock company.

There are many plans but the future will show how many of them can become real. Contracts for the delivery of railcars will be ratified (that is, their financial aspect will be firmly established). It is planned to prepare a second package of contracts after this.

### **Locomotive Production Shortages Detailed**

914H0085B Moscow GUDOK in Russian 19 Jan 91 p 2

[Article by V. Baryshev: "Electric Locomotives, Where Are They?"]

[Text] In May, the Novocherkassk Electric Locomotive Plant will mark its 55th anniversary, but the collective of the enterprise has nothing to report in honor of the jubilee.

In the last five-year plan the country's railroads were undersupplied 872 direct current electric locomotives—40 percent of the number planned! The results will seem even more strange when you learn that up to 1986, under the conditions of the plant's renovation, the state orders were completely fulfilled.

It all began with the two VL80S locomotives that were short of the plan in the first year of the last five-year plan. The nonfulfillment of the program cost V. Duvarov, general director of the NEVZ [Novocherkassk Electric Locomotive Plant], the director's chair. He was officially retired on pension, and the USSR Ministry of the Electrical Equipment Industry and Instrument Making, which had jurisdiction over the plan, got busy selecting a leader for the flagship of domestic electric locomotive building.

This pattern took shape in Donetsk at the cable plant. In the spring of 1987, they brought E. Putilov to Novocherkassk, and it was rumored that he was provided a fairly good deal in the collective of 1,300 persons. There were about tenfold more subordinates. Following the mode of that time, the active membership of the NEVZ met. The candidate set forth in general his program for the further life of the collective, and 600 foremen and brigade leaders voted for him. The new director began his energetic activity.

While E. Putilov's predecessor had suffered for only two electric locomotives, with Eduard Petrovich the output of locomotives began to be reduced by hundreds of units, and in 1990, the country was short-supplied 328 machines. At the same time, last year the general director of the NEVZ became a people's deputy of Russia, and the plant, under his direction, earned a solid profit. It is a paradoxical situation at first glance, but there is an explanation for it.

I do not presume to judge what authority E. Putilov enjoys in his own Ministry of the Electrical Equipment Industry and Instrument Making, or what his interrelations with Minister A. Anfimov are like, but the fact

remains—the director succeeded in convincing the ministry and his collective that the country did not need the planned number of electric locomotives, and that the enterprise must respecialize for the output of consumer goods and fulfillment of export orders. There is particular talk about the latter.

Meanwhile, to strengthen his position, Eduard Petrovich made a journey to the capital to see B. Nikiforov, deputy minister of Railways, who is answerable for the work of the locomotive industry of the MPS. At the meeting he said that the deadlines for manufacturing the planned electric locomotives had to be set back and that the enterprise should not be fined for the products that had not been turned over or else the plant would go bankrupt, and everyone would scatter from it. Then there would be no electric locomotives at all. Boris Danilovich, nothing extraordinary, felt sorry for the “beginning” director and signed the necessary papers. Putilov, after going back home, gathered the active membership of the plant and, brandishing the papers of the Ministry of Railways, announced that the railroad workers would completely abandon the products of the enterprise. This virtual detective story happened in 1989.

True, the MPS soon found out about it, and B. Nikiforov recalled his signature. Moreover, the plant (almost no one in the collective knows about this) paid the MPS 2,213,000 rubles in fines. This, however, had almost no effect on its financial situation. Where did the money come from?

Long before E. Putilov arrived at the NEVZ collective, a contract had been signed to build 100 electric freight locomotives for China. The profitability of their production, which began in 1987, reached 300 percent. The plant's profit was fantastic. It was formed from one-and-a-quarter million for each machine, which the purchaser paid in rubles, and indeed, our government paid, for the same machine, an additional 1.5 million rubles for the so-called currency coefficient. In order to earn this money in our native land, nine VL80S or four VL85 electric locomotives would have to be created. It must be said that NEVZ export orders were fulfilled before, too, but this bane had never before affected the output of locomotives for the Motherland.

Ultimately, the USSR Committee of People's Control intervened in the affair. Under its pressure, the Ministry of Electrical Equipment Industry and Instrument Making, at a meeting of the collegium last September, discussed the question “On Measures To Increase the Production of Mainline Electric Locomotives and Raise Their Technical Level and Quality in the NEVZ Scientific Production Association.” The collegium noted that “the plant does not have normal conditions for the leisure of the workers; on the whole, the work of the scientific production association has deteriorated; Comrade Putilov has not succeeded in developing the necessary creative and work atmosphere for fulfilling the established plans, either among the management or

among the entire collective; the rates of housing construction have dropped particularly....”

In a word, only negative. This time too, however, there was no clap of thunder.

The collegium of the Ministry of Electrical Equipment Industry and Instrument Making resolved: “To take into consideration the announcement of Comrade Putilov that in 1990 the plant is manufacturing 198 electric locomotives for the MPS and 44 for export....” The order for China was fulfilled, but our ministry still had to wait for its machines. It looks as if the NEVZ will again have to substitute fines for electric locomotives. It is just that you cannot couple rubles to consists.

In three years, almost 3,000 workers have been dismissed from the NEVZ. With the completion of the export order, the efflux of workers again began to grow. Eduard Petrovich, however, as if not noticing this, is thinking about a basic model of a new electric locomotive for the country. As a basis, he will take a machine which was produced in the 1970's for Finland. Therefore, yesterday's foreign locomotive building will be presented to us as the light of the future.

He is not changing his attitude toward MPS orders, so that in the five-year plan that has begun, most likely, the shortage of electric locomotives in our country will not be lessened. On the horizon, though, is a profitable contract with India....

In our native land, one-fourth of the electric locomotives have long ago passed pension age. In the next decade, there will be another 2,700 machines from which we can expect major trouble. After all, at the present rates, the NEVZ will have to work for 17 years just to make up for natural losses of locomotives. In other words, the MPS will have to remember the steam engines that have been perspicaciously left behind for a reserve some day.

### **Railway Tariff System Examined**

*914H0085A Moscow GUDOK in Russian 16 Jan 91 p 2*

[Article by I. Buchin, chief economist of the Department of the Container Transport and Commercial Work Main Administration: “Let Us Talk About Tariffs”]

[Text] Any price is formed from production cost and profit. If a producer talks about a good price, he has in mind a high profit, which can be directed toward modernizing and expanding production, raising wages and improving the social conditions of his workers. It also happens, however, that the price does not ensure sufficient profit or in general does not cover expenses. This production facility can hardly get by in the first place, and goes bankrupt in the second place.

In a command-administrative system, however, work might be poor, but one lives well, and vice-versa. A beneficial and at the same time insidious role in this has been played by prices which the state or higher organs

established, creating a priority for some and shutting off the "oxygen" of others, thus equalizing good and bad enterprises. Everywhere, as we have said, a price distortion has been observed, as in a world of distorting mirrors.

This distortion has also been retained for many years in railroad transport. Heavy industry, chemistry, the agroindustrial complex and other sectors have developed in the country through low tariffs. Transport has been supported by small subsidies from the budget, since the tariff resources have not been enough anywhere, neither for its development nor for the social sphere and other urgent needs.

For forty years the level of freight and passenger tariffs has not changed. As you know, however during that time wholesale and retail prices have increased repeatedly. This has led to a systematic reduction in the transport component of the end price of the goods produced. This situation has brought about the rapid growth of inefficient transport, an improvident attitude toward expending transport resources and unnecessary loading of the railroads. The struggle against these negative phenomena with purely administrative, extraeconomic methods, as we know, has yielded no results.

Our country has taken a course toward the market. Even though we still know little about what a market economy is, practical experience suggests that it is primarily related to prices. At what precise price we must purchase and at what price we must sell goods, work and services, in order to live a little better and not, God forbid, go bust and end up bankrupt.

The civilized market toward which we are striving, that is, a well developed, non-monopolistic one, is an objective need. It requires constantly being at a level at which a high quality of products and services can be maintained in honest competitive struggle, for which a good price is obtained, making it possible to cover expenditures, systematically update production and create standards of living worthy of our workers.

A civilized market is not only competition, but also support and mutual aid, because the partners are interested not only in working with a good profit themselves, but also in seeing that those interacting with them and ensuring their activity have favorable financial conditions.

A civilized market does not accept monopolist enterprises that dictate their prices for the sake of profit. The State is therefore adopting anti-monopoly laws.

In market relations, the prices are formed in a competitive fight in response to supply and demand. In this case the supply always more or less exceeds the demand.

These and other laws of the civilized market have been worked out over a period of many decades, if not centuries, and the main things in this case, I repeat, are prices, as the heart and moving force of the market

economy. For us, the story has not many lines left, and we should traverse the path to the market in a short time, in order once and for all not to "bring up the rear" of the world process.

Price formation in transport with market relations unquestionably has its own specific features. We are attempting to understand them in the light of foreign experience.

We will proceed from the fact that railroad transport in our country has long remained a State structure. Therefore, the State should see that it functions normally and develops rapidly, in order to satisfy completely the transport needs of the country's consumers. Here one can mention a reduction in profit taxes, subsidizing target programs for the construction of new lines, purchasing rolling stock and developing the social sphere.

Finally, transport itself should earn funds. As we know, since 1 January of this year, tariffs for freight transport in through railroad service have increased by 25 percent, and to an even greater extent—for small and low-weight shipments. The road chiefs establish the tariffs for freight transport in local service, in consideration of the ability to compete with other types of transport. In this case, the profitability of this transport should not exceed 35 percent, since profit obtained above this level will be transferred in equal portions to the union and republic budgets.

As calculations show, however, even this rise in prices does not ensure that railroad transport obtains sufficient funds. Therefore, the roads, divisions, stations, mechanized subdivisions for loading-unloading operations and other enterprises should as soon as possible be granted the freedom to undertake commercial activity.

Certain steps have already been taken in this direction. USSR Goskomtsen [State Committee on Prices] has authorized expansion of the list, in effect since 1988-1989, of the types of transport operations and services performed by railroad transport to which contractual tariffs and charges are applied. Among them are new ones—transport of freight along narrow-gauge lines and newly built lines, in registered cars and specialized containers, export and import freight transport and forwarding.

Urgent freight shipments, not specified by the monthly plans, loading and unloading, dispatch operations, storage, weighing, checking the weight and certain other services will also be carried out according to contractual tariffs and charges. A maximum level of profitability amounting to the aforesaid 35 percent has been established for all contractual tariffs and charges.

The roads must very quickly compile records with the consignors and consignees on contractual tariffs and charges. This should be not recommendatory, but strictly compulsory and broad in nature, which would ensure obtaining additional revenues and profits for the railroads. Preparation of the documents should be closely

coordinated with carrying out the necessary measures directed toward raising the quality of transport and the services rendered and intensifying executive discipline and responsibility in relations with the clientele.

Therefore, a system of fixed (price-list), independently established and contractual tariffs and charges will be put into effect in railroad transport. It is important that the normatives do not go beyond the limits, in order to avoid being liable to sanctions on the part of the organs of price formation and arbitration.

It should also be noted that, beginning in 1991, periodical indexing (change) of the new tariffs will be carried out, depending on the change in wholesale, contractual and free prices for rolling stock, materials and the fuel-energy resources required by railroad transport.

The procedure for this indexing is now being worked out. In this case USSR Goskomstat [State Committee for Statistics] will introduce a special quarterly report on the change in prices. The railroads must attentively follow the fluctuations in wholesale and other prices for the product used, so that on their basis the Ministry of Railways, in conjunction with the directive organs, can promptly establish indices of the change in level of freight tariffs.

Under market conditions for railroad transport, the maximum level of profitability for contractual and independently established tariffs and charges must be limited to 60-70 percent, which will make it possible for the sector to stand firmly on its feet. In addition, the list of tariffs and charges established independently by the Ministry of Railways and the roads should be expanded, transferring to this category some of the contractual ones, for example, for loading-unloading operations and shunting work, storage, weighing, delivery and removal of railcars on access tracks.

It is expedient to grant the Ministry of Railways the right to change the tariffs for transporting freight in through service within established limits independently. If they must be departed from, the government organs must be notified of this in advance, as is done, let us say, in France and other countries.

It must be noted that in the United States the State established and put into effect, over a long period of time, quite a high level of railroad freight tariffs, which were not permitted to be reduced. This ensured private roads of stable profit functioning and development, under the conditions of competition with other types of transport. Just recently, American railroads decided to adopt discounts from the tariffs to increase the competitiveness and attract additional freight.

What sort of conclusion suggests itself? One must not fear quite high tariffs, since competition under market conditions will cause them to be reduced to attract freight. This is precisely the healthy practice that is being adopted throughout the world.

All the enterprises in our country that use railroad transport are maximally interested in its working stably and guaranteeing a high quality of freight transport. As we know, because of the shortage of rolling stock, the losses of the enterprises are expressed in billions of rubles. Under market conditions, no one will agree to take such a loss. Railroad transport must be rapidly raised to the modern level, perhaps through tariffs and through material investments in the enterprises, including those through payments for freight transport. A commercial railroad bank could play a large role, as well as border roads transformed into stock-holding companies, the stocks of which could be distributed among the enterprises served and the population. All these measures are inscribed in a market economy and, moreover, are a compulsory part of its infrastructure.

The system of freight tariffs now existing on the network scale reflects the production cost both as a whole for all transport and for types of shipments, distances, speeds, etc. It is a different matter, and this has been mentioned, that the profitability of these tariffs is insufficient to ensure self-financing for railroad transport, particularly under market conditions.

The next stage should be territorially differentiated tariffs, which would accurately reflect the real expenditures by roads, regions and network routes. The Ministry of Railways and the scientists of the VNIIZhT [All-Union Scientific Research Institute of Railroad Transport] are faced with the task of working out and introducing this system in two years.

Another problem which has recently been coming to the fore constantly is payment in currency for the transport of exported freight through USSR territory. This requirement is correct. In the interests of the consignors, the roads should be interested in complete, prompt and high-quality delivery of freight through their being assigned part of their currency receipts from export supplies. The Ministry of Railways has appealed to the USSR Council of Ministers with a request to establish a procedure and normatives for these withholdings.

This is the state of affairs and these are the basic tasks in the sphere of railroad freight tariffs.

At the same time, no tariffs will give the proper result in the matter of ensuring a reliable financial situation for the sector under market conditions if the railroads lose transport volumes and do not take care to seek them and increase them, and fail to develop services.

#### **Soviet Railroads' Transit Tariff Examined**

914H0088C Moscow GUDOK in Russian 28 Dec 90 p 2

Unattributed article: "Transit Tariff of Soviet Railroads (TTSZhD)"]

[Text] The Transit Tariff for Soviet Railroads (TTSZhD)—Tariff Manual No 35—was introduced on the network on 1 January 1991. The mentioned tariff is



applicable to all freight transit shipments on USSR railroads except for freight shipments which are transported on USSR railroads under the terms of the Common Transit Tariff (YeTT) and the International Rail Transit Tariff (MTT).

The tariff is also applicable for shipments through the USSR port stations through which freight passes in transit. The Swiss franc is the tariff hard currency.

The main conditions for calculating shipping fees, the rules for calculating fees for railcar-size and small shipments and large capacity containers, the product list and classification of freight, the table for USSR railroad transit distances, and tables for tariff rates and fees for shipping, which have been established in the TTSZhD, are the same as those in the International Railroad Transit Tariff (MTT) - Tariff Manual No 31 of the Ministry of Railways and Tariff No 8100.

The freight fees and duties for additional operations are calculated in accordance with rates which are in effect on the date stamped on the shipping documents by the entry border (port) USSR railroad station. The USSR Ministry of Railways can grant preferential terms and reductions from the TTSZhD.

The tariff will be published in the collection of USSR Rail Transport Shipping Rules and Tariffs No 383.

### International Railroad Transit Tariff Signed

914H0088D Moscow GUDOK in Russian 28 Dec 90 p 2

[Unattributed article: "International Railroad Transit Tariff (MTT)"]

[Text] The Agreement on the International Rail Transport Tariff (MTT) for 1991 was signed on 20 November 1990 in Warsaw (Republic of Poland). Railroad representatives from Bulgaria, Mongolia, Poland, Romania, the USSR, Czechoslovakia, and the German State Railroads (DR) signed the agreement. As of 1 January 1991, the Hungarian railroads are not participants in the MTT and the transit shipment of goods on Hungarian railroads will be carried out under the terms of the Hungarian Railroad Tariff for Freight Shipments.

The tariff currency has been changed in the MTT for 1991. The Swiss franc has been introduced to replace the transferable ruble; the conditions for reformatting overhead during the shipment of freight in transit through Poland, Czechoslovakia and the territory of the former GDR to the West from (to) the USSR have been changed; and other changes have been agreed to.

The changes and additions to the MTT—Tariff Manual 31 (1986 edition)—which were introduced on 1 January 1991 will be published in the Collection of USSR Rail Transport Shipping Rules and Tariffs No 383.

### Hazardous Materials Incident Reported

914H0085C Moscow GUDOK in Russian 19 Jan 91 p 1

[Article: "Danger No 137"]

[Text] The lead container was discovered alongside the line of the Khabarovsk-2 railroad station. The yellow triangle on the find—the sign of radiation danger—alarmed them.

The specialists of the civil defense border staff who arrived there confirmed it: the freight was hazardous.

Dosimetric measurements showed that at a distance of one meter from the container, the power of the source was 30 microroentgens—almost double the natural background. It was only due to a fortunate chance that no one had suffered. In fact, there was an industrial instrument in the sealed container, in the construction of which cesium-137 had been used. If people had happened to get to it—in a short time they would have received a lethal dose of radiation.

Just how did the container turn up near the "steel rail"? Several versions are suggested, but the final answer came following an investigation placing the date of manufacture of the instrument and a rusty plate with the plant number.

"The trouble is," A. Tsygankov, deputy chairman of the State Commission of the USSR Council of Ministers on Emergency Situations, commented on the emergency, "that all hazardous materials—toxic, radioactive and explosive substances—are transported along the railroad anonymously. The tragedies of the last few years, related to explosions at railroad stations, make it necessary to take urgent measures. In the first place, each kray or oblast civil defense headquarters must receive information on all hazardous materials that travel in transit across a given territory."

### Rail Accident Reported

914H0088B Moscow GUDOK in Russian 14 Dec 90 p 2

[Article by S. Ponomarev, GUDOK correspondent: "The Second Accident On the Section"]

[Text] Khabarovsk—Three eight-axle tank cars derailed and one of them overturned—this was the result of a defect that occurred early in the morning of 10 December at the station of Budukan.

It is still early to talk about the reasons for the incident. A special commission from the Far Eastern's Khabarovsk Division, which immediately departed to the site for an official investigation, will reveal them. Only the circumstances, which preceded the accident, are known.

Knopov, an engineer from the Obluchnenskiy depot, received a report at 0410 hours that his consist No 2826 would be placed on a siding at the station of Budukan so that the Rossiya passenger train No 2 could pass. As the speed measurement tape testifies, Knopov strictly observed the restrictions established for the Londoko-Budukan section. Nevertheless, a derailment of one truck occurred at the 8283 kilometer marker. It bounded along the ties to the station itself and derailed at the entrance switch of the western neck.



Traffic in both directions was halted for two hours and fifteen minutes as a result. The switch was also damaged. Oil began to leak from the tipped tank cars. Eight hours after the incident, the station workers managed to put two tank cars on the track. It was more complicated with respect to the third one. In order to put it on its trucks, its contents had to be pumped out first. This required turning off the catenary system.

This is the second incident of this type on the Birsкая track section this year. Several months ago, a foreign object fell on the rails from a passing train. This caused a derailment. The poor condition of the track or careless preparation of the rolling stock has now had an effect. No matter what, Khabarovsk consumers will fail to receive approximately 120 tons of liquid fuel, which they so need during these cold winter days, because of the incident.

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